Public Employee Retirement System of Idaho
A Component Unit of the State of Idaho

P E R S I

2009 Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2009

Public Employee Retirement System of Idaho

A Component Unit of the State of Idaho

PERSI
Public Employee Retirement System of Idaho

Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2009

This 2009 Comprehensive Annual Financial Report was prepared by:

Financial: James E. Monroe, CPA, Financial Officer
Debbie Buck, CGFM, Senior Accountant
Cecile McMonigle, Portfolio Accountant

Investments: Robert M. Maynard, Chief Investment Officer
Richelle Sugiyama, Investment Officer

Administration: Patrice A. Perow, Public Information Officer

Thanks and appreciation to everyone who provided accurate, timely information for this report.
Cover photo courtesy of Kris Colt.

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Helping Idaho public employees
build a secure retirement.

Introductory Section

PERSI MISSION STATEMENT

To provide a sound retirement system and high quality service and education to help Idaho public employees build a secure retirement.

CORE VALUES

VISION

To be the premier public retirement system, respected by customers, peers, and the community, and known for professional service, technological advancement, and fund stability.

FIDUCIARY DUTY OF LOYALTY

The primary duty of the Retirement Board and PERSI staff, as fiduciaries, is that of loyalty, or acting with an "eye single" to the interests of the beneficiaries. PERSI is required by law to make all its decisions solely in the interest of the beneficiaries and to avoid, at all costs, serving the interests of any other party not a beneficiary of the system.

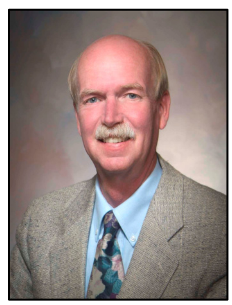
C.L. “Butch” Otter, Governor, State of Idaho

RETIREMENT BOARD

Jody B. Olson, Chairman
Term expires July 1, 2012

Jeff Cilek
Term expires July 1, 2010

William “Bill” Deal
Term expires July 1, 2013



Clifford T. Hayes
Term expires July 1, 2009

J. Kirk Sullivan
Term expires July 1, 2011

PERSI EXECUTIVE STAFF

Donald D. Drum, Executive Director
William Oldham, Deputy Director
Robert M. Maynard, Chief Investment Officer
Joanna Guilfoy, Deputy Attorney General
James E. Monroe, Chief Financial Officer
Judy Aitken, Answer Center Manager
Shawnda Kasma, Processing Center Manager
Patrice Perow, Public Information Officer
Ray Polzin, Information Technology Manager
Diane Kaiser, Employer Service Center / Defined Contribution Manager

PROFESSIONAL CONSULTANTS

Actuary:	Milliman, Inc., Seattle, WA
Auditor:	Eide Bailly, LLP, Boise, ID
Medical:	Sedgwick CMS, Memphis, TN
Investment:	Callan Associates, Inc., San Francisco, CA CS Capital Management, Inc., Atlanta, GA Capmark Finance, Inc., San Francisco, CA Hamilton Lane Advisors, LLC, Philadelphia, PA William Raver, Mt. Pleasant, S.C. Robert Storer, Juneau, AK
Legal:	Foster Pepper, PLLC, Seattle, WA Whiteford, Taylor & Preston, LLP, Baltimore, MD
Other:	ACS HR Solutions, LLC, Woburn MA Mellon Transition Management Services, San Francisco, CA
Investment Custodians:	Bank of New York Mellon Asset Servicing, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID

Investment Managers:

Advent International Corp., Boston, MA
Adelante Capital Management LLC, Berkeley, CA
Apollo Management, LP, Purchase, NY
Baring America Asset Management, Inc., Boston, MA
Bank of New York Mellon, San Francisco, CA
Blackstone Group, LP, New York, NY
Brandes Investment Partners, LP, San Diego, CA
Bridgepoint Capital LTD, London
Capital Guardian Trust Company, Brea, CA
Cascade Affordable Housing, LLC Seattle, WA
Cerberus Capital Management, L.P., New York, NY
Clearwater Advisors LLC, Boise, ID
CVC Capital Partners Advisory Co. LTD, London
D.B. Fitzpatrick & Co., Inc., Boise, ID
Donald Smith & Co., Inc., New York, NY
EPIC Ventures, LLC, Salt Lake City, UT
Enhanced Equity Partners, LLC, New York, NY
First Reserve Corporation, Greenwich, CT
Fortis Investments, Boston, MA
Frazier Technology Ventures Management, LP, Seattle, WA
FS Private Investments, LLC, New York, NY
Galen Management, LLC, Stamford, CT
Genesis Asset Managers, LTD, London
Goense Bounds Management, LP, Chicago, IL
Hamilton Lane Advisors, LLC, Baja Cynwyd, PA
Harvest Associates III, LLC, New York, NY
Highway 12 Capital Partners, LLC, Boise, ID
Ida-West Operating Services, Inc., Boise, ID
JH Whitney Equity Partners VI, LLC, New Canaan, CT
Kohlberg Kravis Roberts & Co., LP, New York, NY
Kohlberg Management, LLC, Mt Kisco NY
Leonard Green & Partners, LP, Los Angeles, CA
Lindsay Goldberg & Bessemer, LLC, New York, NY
Littlejohn Associates, LLC, Greenwich, CT
McCown De Leeuw & Co. IV, LLC, Menlo Park, CA
Bank of New York Mellon, San Francisco, CA
Mondrian Investment Partners, LTD., London
Mountain Pacific Investment Advisers, Inc., Boise, ID
Nautic Partners, LLC, Providence, RI
Oaktree Capital Management, LLC, Los Angeles, CA
Olympic Investors, LLC, Seattle, WA
Pareto Partners, LLC, London
Peregrine Capital Management, Inc., Minneapolis, MN
Providence Equity Partners, LLC, Providence, RI
Prudential Investment Management LLC, Newark, NJ
Pyramis Global Advisors, Boston, MA
Sanford C. Bernstein & Co. LLC, New York, NY
State Street Global Advisors, Boston, MA
TCW Asset Management Co., Los Angeles, CA
TPG Capital, LP, Fort Worth, TX
The Gores Group, LLC, Los Angeles, CA
The Koll Company, LLC, Newport Beach CA
Thomas H. Lee Partners, LP, Boston, MA
Tukman Grossman Capital Management, Inc., Larkspur, CA
W. Capital Partners, LLC, New York, NY
Western Asset Management Co., Pasadena, CA
Zesiger Capital Group, LLC, New York, NY

More specific information on the above-mentioned investment professionals can be found on pages 64 through 65 in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employee Retirement System of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

PPCC

Public Pension Coordinating Council

PUBLIC PENSION STANDARDS AWARD
For Funding and Administration
2009

Presented to

Public Employee Retirement System of Idaho

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H Winkle

Alan H. Winkle
Program Administrator

Organizational Chart

Retirement Board

Donald D. Drum
Executive Director

William Oldham
Deputy Director
Larry Sweat
Project Coordinator
Steve Jones
Technical Writer

Joanne Guilfoy
Deputy Attorney General

Patrice A. Perow
Public Information Officer

Cheri Campbell
Management Assistant

Robert M. Maynard
Chief Investment Officer

Richelle Sugiyama
Investment Officer

Rose Marie Sawicki
Administrative Assistant 1

Investment Managers
See Investment Section for a list of managers - pp 64-65

James E. Monroe
Chief Financial Officer

Debbie Buck
Senior Accountant
Cecile McMonigle
Portfolio Accountant
Mike Young
Portfolio Accountant
Tess Myers
Administrative Assistant 1

JoAnne Dieffenbach
Financial Technician
Sharon Simon
Financial Support Technician

Diane Kaiser
ESC/DC Plan Manager
Alice Brown
Financial Technician
Norm Smith
Financial Technician
Linda Whitney
Financial Technician

Alan Roberts
Financial Technician
Pam Fowers
Financial Technician
Barbara Weirick
Financial Technician
Betsy Griffith
Administration Assistant

Ray Polzin
Information Technology Manager

Nancy Fauver
IT Database Analyst
Dotty Cluck
Customer Service Rep.
Branden Kennah
IT Information System Tech Sr.

Joy Fereday
IT Programmer Analyst Sr.
Open
IT Program System Specialist

Ryan Evey
IT Programmer Analyst Sr.
Stacy Parr
Web Developer

Open
IT Production Specialist
Randy Graybeal
IT Network Analyst

Judy Aitken
Answer Center Manager

Kimberlee Hall
PAC Supervisor
Kari Caven
Retirement Specialist
Catherine Atchison
Retirement Specialist
Frank Dye
Retirement Specialist
Graydon Wood
Training Specialist

Melody Hodges
Retirement Specialist
Lisa Conn
Retirement Specialist
Lisa Mabe
Retirement Specialist
Jami Davis
Administrative Assistant 1
Mike Mitchell
Training Specialist

Kathi Kaufman
Customer Service Rep. 2
Roberta Rice
Customer Service Rep. 2
Lynne Yowell
Customer Service Rep. 2
Austin Haro
Customer Service Rep. 2

Denice Desilet
Customer Service Rep. 2
Gerry Sjol
Customer Service Rep. 2
Open
Customer Service Rep. 2

Shawnda M. Kasma
Processing Center Manager

Jennifer Whitley
Retirement Specialist
Julisa Adams
Retirement Specialist
Susan Strouth
Retirement Specialist
Lynn Duncan
Retirement Specialist

Shasta Luper
Retirement Specialist
Lenna Strohmeyer
Technical Records Specialist
Kattianna Rouse
Technical Records Specialist 1
Open
Technical Records Specialist 1

Cindy Clark
Technical Records Specialist 1
Kay Prince
Technical Records Specialist 1
Wayne Ellis
Insurance Specialist
Cathy Andrews
Imaging Specialist

THE SYSTEM

The Public Employee Retirement System of Idaho (the System) is the administrator of six fiduciary funds including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); two defined contribution plans, the Public Employee Retirement Fund Choice Plan 401(k) and 414(k) (PERSI Choice Plans); and two Sick Leave Insurance Reserve Trust Funds – one for state employers and one for school district employers.

The Retirement Board consists of five members, each appointed by the Governor to fulfill a 5-year term. The Board meets monthly to conduct System business, usually on the fourth Tuesday of each month at 8:30 a.m. at PERSI's Boise office.

Administrative expenditures consisting of the personnel costs, operating expenditures, and capital outlay necessary to operate the System are limited to those approved and appropriated by the Legislature for that purpose. In Fiscal Year 2009 (FY09), these costs totaled $6,326,878, including $198,892 in depreciation, which is not a cash expenditure and, therefore, not appropriated.

The majority of the System's 65 staff works in the headquarters office at 607 North 8th Street, Boise, Idaho. There are two staff members in the Coeur d' Alene office, and three in the Pocatello office. The Executive Director and investment personnel are exempt positions appointed by the Retirement Board to serve at its pleasure. The Deputy Director and Public Information Officer are exempt positions serving under the Executive Director. The Deputy Attorney General is assigned to PERSI by the Office of the Attorney General. All other staff members serve under statutes and personnel rules governing classified state service.

The System staff oversees the investment of the trust corpus and new contributions with professional investment managers and funding agents. The Retirement Board maintains fiduciary responsibility for investment policy, asset allocation, and the selection of individual investment managers as discussed in the Investment Section.

SUMMARY OF PLAN PROVISIONS

DEFINED BENEFIT "BASE PLAN" PROVISIONS

Note: The items in parentheses are the provisions applicable to members designated as either PERSI firefighters or as PERSI police officer members for retirement purposes.

MEMBER CONTRIBUTION RATE

The employee contribution rate is set by statute at 60% (72%) of the employer rate. As of June 30, 2009, it was 6.23% (7.65%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 10.39% (10.73%) as of June 30, 2009.

SERVICE RETIREMENT

ELIGIBILITY

Five years of service and age 65 (60, or between 60 and 65, depending on the ratio of police officer/firefighter service to total credited service).

AMOUNT OF ALLOWANCE

For each year of credited service, the monthly service retirement allowance as of June 30, 2009, was 2% (2.3%) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 28, 2009: for each year of service, the monthly minimum benefit allowance was $22.99 ($27.59) to a maximum of the member's accrued benefit. Effective March 1, 2009, the monthly minimum benefit allowance was $23.22 ($27.87).

NORMAL FORM

Regular retirement allowance for retiree's life only, plus a lump sum death benefit if the retiree dies before allowances are paid, total accumulated employee contributions and interest.

OPTIONAL FORMS

Retirees may also choose 50% or 100% contingent annuitant options as well as Social Security “bridge” options. These are actuarial equivalents of the normal form based on the mortality and interest assumptions adopted by the Retirement Board. The allowance is payable for the life of the retiree and designated contingent annuitant.

EARLY RETIREMENT

ELIGIBILITY

Five years of service and age 55 (50, or between 50 and 55, depending on the ratio of police officer/firefighter service to total credited service).

AMOUNT OF ALLOWANCE

Unreduced accrued service retirement allowance if age plus service, upon separation from employment, total 90 (80, or between 80 and 90, depending on the ratio of police officer/firefighter service to total credited service); otherwise, the accrued service retirement allowance is reduced 3% for each of the first 5 years by which the early retirement date precedes the date the member would be eligible to receive the unreduced benefit, and by 5.75% for each additional year to a maximum of a second 5 years. The unreduced benefit entitlement may be either at the service retirement eligibility date or the date eligible for the rule of 90(80).

FORMS

Regular retirement allowance; contingent annuitant allowances for the life of the retiree and a designated contingent annuitant; Social Security level income option for the life of the retiree only or for the life of the retiree and designated survivor.

DISABILITY RETIREMENT

ELIGIBILITY

Active members must have 5 years of service, be unable to perform work of *any* kind, and be expected to remain disabled for life. They are eligible from first day on the job if the disability is due to occupational causes.

AMOUNT OF ALLOWANCE

Projected service retirement allowance based on the highest 42 consecutive month average salary at the time of disability. The benefit is calculated using the accrued service at the time of disability plus the service which would have accrued through service retirement age had the disability not occurred. If a member has less than 360 months of service as of the date he is eligible for disability retirement, he will be given credit for the months of service he would have earned from the date of disability to the date he would have reached Service Retirement Age (65 for general members/62 for police and firefighters) had he not become disabled (360 months of credited service maximum). In other words, PERSI will give members up to 30 years of credit or to Service Retirement Age, whichever comes first. Monthly allowance is payable after all temporary compensation ceases and is offset by the amount payable as income benefit under worker's compensation law, except when offset by Social Security. Effective July 1, 2009, public safety officers who are injured in the line of duty and determined to be permanently disabled under Idaho Code 59-1302(12), may be eligible to receive a one-time, lump-sum payment of $100,000.

NORMAL FORM

Regular retirement allowance to normal service retirement age when retirement benefit changes to service retirement allowance with its optional forms available.

DEATH BENEFITS

AFTER RETIREMENT

Under the normal form of the retirement allowance, a Social Security adjustment option, or a disability retirement, the balance, if any, of the member's accumulated contributions and interest at retirement over all payments received is paid to the beneficiary in a lump sum. In the case of a disability retirement, the beneficiary may waive the lump sum if the retiree is married so that the spouse will receive a lifetime monthly allowance, or the beneficiary may take a lump-sum payment of two times the amount in the member's account at the time of disability retirement minus any amount paid. Under the contingent annuitant options, the designated annuitant receives a lifetime monthly benefit following the member's death. If the survivor dies before the balance of the member's accumulated contributions and interest has been paid, the balance will be paid to the beneficiary in a lump sum. If the member's designated contingent annuitant predeceases him/her, the member's allowance will be recalculated to a single life payment.

BEFORE RETIREMENT

1 Non-vested Members:

   a Beneficiary receives a lump sum payment of the member's accumulated contributions plus interest.

2 Vested Members:

   a Beneficiary receives a lump sum payment of two times the member's accumulated contributions plus interest.

   b If the member is married, and the spouse is the sole beneficiary, the spouse may select a lump sum payment or a lifetime monthly benefit.

   c If the member is married, but the spouse is not the sole beneficiary, the beneficiary may waive the lump sum, in which case, a lifetime monthly benefit is available to the surviving spouse.

3 A $100,000 death benefit for duty-related deaths for police officers/firefighters became effective July 1, 2003.

SEPARATION BENEFIT

Accumulated member contributions with regular interest is payable upon becoming an inactive member separated from eligible employment. The Regular Interest Rate in effect for FY09 was 17.51% per year compounded monthly from July 1, 2008 through December 31, 2008, and 1% from January 1, 2009 through June 30, 2009.

POSTRETIREMENT ADJUSTMENTS

An annual postretirement adjustment based on and limited by a cost-of-living factor reflecting the changes in the Consumer Price Index (CPI) is effective in March each year. If the CPI change from August of the previous year to August of the second previous year is 1% or more, a 1% mandatory adjustment is made. The Board may authorize additional discretionary adjustments based on the CPI increase (up to a total maximum annual COLA of 6% or the CPI rate, whichever is lower) if it determines that the System can do so and still maintain an appropriately funded position as required by Idaho Code Section 59-1355(1). Adjustments in excess of the 1% authorized by the Board must be reported to the Legislature. If the Legislature has not acted by the 45th day of the legislative session, the COLA becomes effective March 1 of each year.

The Board is also authorized to award postretirement adjustments for prior years in which the actual amount of adjustment was less than the CPI for those years. If the CPI change is downward, in no event will any benefit be reduced below its initial amount.

The COLA authorized and implemented March 1, 2009, was 1%.

PERSI
Public Employee Retirement System of Idaho

PHONES
Answer Center 208-334-3365
Fax 208-334-3805
Toll-free:1-800-451-8228

Employer Service Center
1-866-887-9525

Mailing Address
P.O. Box 83720
Boise, ID 83720-0078

BOISE
607 North 8th Street
Boise, ID 83702-5518

POCATELLO
850 East Center, Ste. "D"
Pocatello, ID 83201

COEUR D' ALENE
2005 Ironwood Pkwy.
Coeur d' Alene, ID 83814

Choice Plan Record Keeper
1-866-437-3774

November 17, 2009

Dear Governor Otter, Legislators, and Members of the Retirement System:

We are pleased to present to you the Public Employee Retirement System of Idaho (the System) comprehensive annual financial report, for the fiscal year ended June 30, 2009 (FY09). This financial report is a historical perspective of benefits, services, and fiscal activities of the System. Included is a summary of our actuarial valuations, an independent auditors' report, an investment summary, and a statistical section.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditors' report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERSI for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the 18th consecutive year PERSI has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

For the 7th consecutive year, PERSI has been awarded the Public Pension Coordinating Council Standards Award. This award signifies that PERSI complies with the standard benchmarks for public defined benefit systems in the United States. The standards require a high level for the following: comprehensive benefit program, funding adequacy, accepted actuarial and audit practices, investment policy and evaluation, and member communications. This award is given to 50 to 60 public retirement systems each year.

This Letter of Transmittal is intended to serve as an overview of the System and to convey information on the topics that follow.

PLAN HISTORY

The Public Employment Retirement System of Idaho (PERSI) was created by the thirty-seventh Legislature, Regular Session of 1963 with funding effective July 1, 1965. It is a tax qualified, defined benefit system to which both the member and the employer contribute. Participation in the System is mandatory for eligible state and school district employees and available to other public employers and their employees on a contractual basis.

When the Teachers Retirement System of Idaho was abolished, members of that system were integrated into PERSI, and all other eligible school district employees became PERSI members effective July 1, 1967.

Legislative amendments since 1965 have made it possible for municipal police officer retirement funds to merge with the System, and two of the five police officer systems have since merged. The other three are being phased out, and police officers hired since 1969 have become PERSI members.

Legislation in 1979 mandated the Firefighters' Retirement Fund be administered by PERSI effective October 1, 1980. Paid firefighters who were members of the original system retained their original benefit entitlement, while paid firefighters hired after October 1, 1980, were entitled to PERSI benefits. An actuarial valuation of the firefighter member benefit entitlement is conducted at least every other year, separate from the annual PERSI valuation.

In January 2001, PERSI implemented a "Gain Sharing" program as a way to distribute $155 million in excess investment earnings back to our active members, retirees, and employer members. Retirees received their gain sharing as a "13th check." Employers received their share as a contribution "holiday." Some 53,000 eligible active members received their portion as deposits into newly created defined contribution (DC) accounts. This new plan, called the PERSI "Choice" Plan, supplemented PERSI's traditional Defined Benefit (DB) "Base" Plan. It allowed employees for the first time to actively participate in saving for their retirement.

The Choice Plan is somewhat unique in the public sector. PERSI obtained permission from the Internal Revenue Service to expand a grandfathered State 401(k) to our members statewide. While some public employees were familiar with 457 or 403(b) plans, a 401(k) was something new to them. Many of our members had never had the opportunity to make such pre-tax voluntary contributions.

SERVICES PROVIDED

The ability of the System to serve both employee and employer members at the local level through the Boise, Pocatello, and Coeur d' Alene offices remains a key factor for efficient administration. The merging of other retirement systems with PERSI, plus statutory amendments over the years, have produced both multiple and diverse member benefit entitlements and administrative requirements. These can best be analyzed and explained to the members through personal contact with knowledgeable System staff members.

In its 44th year of operation, the System continued a wide range of services to both employee and employer members. Members may visit the PERSI Web site, call, email, or visit one of the three offices for personal information and assistance regarding credited service, account balances, eligibility, benefit options and amounts, and other retirement matters.

Members receive advance notice of service retirement qualification and are provided with estimates of monthly allowances. They also receive information regarding the availability of alternate forms of retirement payments. Retirement applications are processed in a timely fashion, and monthly payments are made promptly. Direct deposit of benefit payments is available to retired members as is withholding for income tax, medical insurance, or other purposes.

System retirees are provided notices whenever their net benefit amount changes. This notice gives retirees a list of their itemized deductions from their gross benefit. Retirees may also access the past 24 monthly notices on the PERSI secure web site, as well as past 1099 tax statements.

Separation and death benefits are paid in an orderly manner and as rapidly as possible. Employee contributions and earned interest are posted to individual member accounts each month, and an annual statement is provided to each member confirming their average monthly salary, credited service, contributions, and earned interest. In addition, a report of benefits accrued to date is provided along with an estimate of benefits projected ahead to various retirement ages.

PERSI's employer units are responsible for reporting and handling retirement transactions and activities. They are provided regular training and assistance through monthly newsletters, annual employer training sessions throughout the State, and personal contacts by PERSI staff, as needed. Employer records and reporting procedures are reviewed each year for accuracy and compliance with statutory provisions.

Upon request, public employers interested in affiliation with the System are counseled and provided with information regarding employee benefits, cost, and procedures associated with joining. Conversely, employers considering withdrawal are provided information and employee benefit projections to enable them to make an informed decision.

Preretirement and financial planning workshops, offered on a regular basis throughout the State, cover financial planning, budgeting, investment basics, Social Security, and System benefits.

EMPLOYEE AND EMPLOYER MEMBERSHIP

During FY 2009, the number of active PERSI members increased from 66,765 to 67,813. The number of retired members or annuitants receiving monthly allowances increased from 30,912 to 32,197. The number of inactive members who have not been paid a separation benefit decreased from 23,712 to 23,086. Of these inactive members, 10,067 have achieved vested eligibility. Total membership in PERSI increased from 121,389 to 123,096 during the fiscal year. There are currently 724 public employers in Idaho who are PERSI members. Participating employers are listed in the Statistical Section of this report.

MANAGEMENT RESPONSIBILITY

The System's management is responsible for the complete and fair presentation of the data and the accompanying disclosures in this report. The financial statements and supplemental schedules included in this report have been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting as pronounced or adopted by the Governmental Accounting Standards Board.

INDEPENDENT AUDIT

The System is audited annually, and for the fiscal year ended June 30, 2009, the audit was conducted by Eide Bailly, LLP, an independent firm of Certified Public Accountants. Refer to the Independent Auditors' Report for the opinion.

INTERNAL ACCOUNTING CONTROL

As an agency of the State of Idaho, the System's administrative expenses are subject to the State's budget controls. Management is responsible for maintaining a system of internal accounting control designed to provide reasonable assurance transactions are executed in accordance with management's general or specific authorization and are recorded as needed to maintain accountability for assets to permit preparation of financial statements. Internal control procedures have been established, and a budget report is prepared for the Board. We believe the internal controls in effect during FY 2009 adequately safeguard the assets and provide reasonable assurance regarding the proper recording of financial transactions.

FINANCIAL HIGHLIGHTS

Collection of employer and employee contributions, as well as income and gains from investments, provides the reserves necessary to finance retirement benefits. These income sources totaled $(1,279,770,916) for all pension funds during the fiscal year ended June 30, 2009.

ADDITIONS:	
Contributions	$ 539,574,501
INVESTMENT INCOME:	
Net Appreciation in Fair Value of Investments	(2,063,129,149)
Interest, Dividends and Other Investment Income	284,954,167
Less: Investment Expenses	(41,263,311)
Net Investment Income	(1,819,438,293)
OTHER INCOME	92,876
Total Additions	$(1,279,770,916)

The payment of benefits is the primary expense of a retirement system. The payments, together with the expenses to administer the Plan, constitute the total expenses of the System. Expenses for FY 2009 are as follows:

DEDUCTIONS:	
Benefits and Refunds	$ 557,026,125
Administrative Expenses	6,326,878
Transfers/Rollovers Out	8,126,080
Total Deductions	$ 571,479,083

Contributions and expenses continue to increase at a predictable rate.

ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS

Future benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future salary. The actuarial present value of future benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Simply put, it is the amount that would have to be invested on the valuation date so the amount invested plus investment earnings will provide sufficient assets to pay total future benefits when due.

The actuarial present value was calculated as part of an actuarial valuation at July 1, 2009. Significant actuarial assumptions used include: an investment return rate of present and future assets of 7.75% compounded annually, (7.25% plus 0.50% for expenses); projected salary increases of 4.50% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 6.70% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

At June 30, 2009, the unfunded actuarial liability on a current contribution basis was as follows:

Unfunded Actuarial Liability on Current Contribution Basis (in millions):

	Valuation Date:	July 1, 2009
	Benefit Date:	July 1, 2009
A.	Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors	$ 15,536.8
B.	Actuarial Present Value of Total Future Normal Costs for Present Members	$ 3,680.3
C.	Actuarial Liability [A - B]	$ 11,856.5
D.	ORP Contributions	$ 59.6
E.	Actuarial Liability Funded by PERSI Contributions [C-D]	$ 11,796.9
F.	Actuarial Value of Assets Available for Benefits	$ 8,646.0*
G.	Unfunded Actuarial Liability (funding excess) [E-F]	$ 3,150.9
H.	Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date	Over 100 years
I.	Funded Ratio [F/E]	73.3%**

* The total available assets are $8,888.4 million, but are reduced by $242.4 million for assets used in plan operations and funds earmarked to provide excess benefits to former members of the Firefighters' Retirement Fund and the Idaho Falls Police Retirement Fund.

** The Funded Ratio of 73.3% includes the statutory COLA of 1%. At the time of print, the Board decision on the COLA had not been made. If the full COLA calculated to be -1.48% is implemented, with no other adjustments, the Funded Ratio would increase to 74.1% and amortization period will remain in excess of 100 years.

ECONOMIC CONSIDERATIONS

The System operates within a dynamic economic environment, as do all investment funds. The objective of the Retirement Board is to minimize the effect of these external influences, where possible, by diversifying among a broad range of asset classes and investment management styles, both domestically and internationally. Such diversification, combined with prudent management by experienced investment professionals, increases the probability the earnings objective will be achieved. The return for Fiscal Year 2009 was -16.3 net of all expenses.

PERSI is funded on a sound actuarial basis, which protects future benefits for participants. Over the long-term, the Plan's assets should achieve their expected returns. However, short-term shortfalls in earnings targets could occur in unfavorable economic environments and/or unfavorable actuarial experience. As of June 30, 2009 the fund had an amortization period in the excess of 100 years.

INVESTMENT STRATEGY AND POLICIES

The Retirement Board utilizes and directs agents to provide whatever investment management and custodial functions best achieve the System's investment objectives. The Board establishes asset allocation policy, diversification guidelines, custodial functions including safe-guarding of investments, and other investment restrictions. Each money manager is generally granted full discretion in making investment decisions within their guidelines. The Board, staff, and consultants monitor and evaluate investment results. The Board, in its administration of this System and management of the investment program, is guided by the fiduciary standards in Section 59-1301 of the Idaho Code and the Idaho Uniform Prudent Investor Act, in Sections 68-501 through 68-514 of the Idaho Code and is empowered in its sole discretion to limit, control, and designate the types, kinds, and amounts of investments.

PERSI's total fund return was -16.3% net of investment expenses for Fiscal Year 2009 due to an overall downturn in the investment market. The policy benchmark return is 7.25%. PERSI continues to rank in the top quartile when compared to our peer universe of other state-wide public pension funds across the country.

The investment mix at fair value as of the end of Fiscal Year 2009 is 54% domestic equity and global equity, 18% international equity, 28% percent fixed income. The System's investment outlook is long term, allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. The portfolio is broadly diversified with additional diversification achieved through domestic and international investing. See the Management's Discussion and Analysis and Investment Section of this report for more detailed analysis and information.

FUNDING STATUS

The funding objective of PERSI is to accumulate sufficient assets to ensure funds will be available to meet current and future benefit obligations to participants on a timely basis. If the level of funding is high, the ratio of assets to the actuarial accrued liability is also greater, which means better investment income potential. Each year an independent actuary engaged by PERSI calculates the amount of the annual contribution the plans must make to fully meet their obligations to retired employees. As of June 30, 2009, the PERSI Base Plan has funding of 73.3% of the present value of the projected benefits earned by employees. The closed Firefighters' Retirement Fund remains an actuarially funded plan. For GASB reporting purposes, the Notes to Required Supplemental Schedules on page 49 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for both plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. For a more in-depth discussion of PERSI's funding, see Management's Discussion and Analysis and the Actuarial Section of this report.

MAJOR INITIATIVES

During FY09, PERSI began a review of all business processes and procedures to: 1) identify redundancies, 2) improve efficiencies, and 3) ensure consistency of operations. A flow chart for each process and procedure has been created, improving how we approach work and making training easier. No matter who performs a task, it should now be performed the same way each time.

The rebranding effort for the Choice 401(k) Plan that got underway last year resulted in a variety of new materials explaining the benefits of participating in the 401(k) plan. The goal is to increase member participation even in these uncertain economic times. The new materials were introduced in June 2009.

This year, PERSI began streamlining processes related to the insurance program. PERSI has statutory authority under Idaho Code to administer an unused sick leave program for Idaho school districts and state agencies. The program allows retirees to pay for various health and dental programs from their unused sick leave account. Because the program has grown to include more than 40 insurers, it is extremely complicated and complex. To eliminate redundancies, automate most insurance processing, and reduce confusion, problem resolution is being put back into the hands of the insurance providers who have contractual agreements with the school districts and the state.

The most critical effort undertaken in FY09 was the strategic planning initiative. Management actively participated in developing the plan and served as the conduit for sharing information with their departments. Staff viewpoints and ideas were considered and incorporated; as a result, support for the plan was attained. By bringing in a consultant to guide the leadership team through the process, PERSI was able to establish a new vision, mission, and core values. Over several months and many hours, the team established four key goals for PERSI:

- Accurate, timely, and relevant information communicated to internal and external customers.
- Technology solutions optimized for and aligned with business-driven processes.
- An organizational structure that supports consistent, effective, and accountable operations.
- A staff that reflects character, commitment, and competence, resulting in professional service to our internal and external customers.

Using a SWOTT (Strengths, Weakness, Opportunities, Threats and Trends) analysis, clear guides were set to aid in the development of departmental action plans to support the four major goals. To ensure ownership throughout the agency, every staff member has been involved in the action planning process through brainstorming sessions and leadership assignments. This ongoing effort will allow PERSI to continually evaluate its performance and measure its success.

The most far reaching program to come from the strategic planning process is the selection of a new pension administration system that meets PERSI's business-driven processes. This multi-phased, multi-year project began June 1, 2009 and will be completed by June 30, 2013. The RFP process is already underway, with the expectation of having a consultant on board by fall.

ACKNOWLEDGMENTS

This financial report of the Public Employee Retirement System of Idaho was prepared by staff under the leadership of the Retirement Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a method of determining responsible stewardship for the assets contributed by the members and their employers.

This report is being sent to the Governor, State Legislators, and other interested parties.

Respectfully submitted,

Jody B. Olson, Chairman

Donald D. Drum, Executive Director

James E. Monroe, Financial Officer

Financial Section

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the "System"), a component unit of the State of Idaho, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the System's financial statements and, in our report dated October 27, 2008, we expressed an unqualified opinion on the respective financial statements of the pensions and other trust funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the pension and other trusts as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information and supplementary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Introductory Section, Investment Section, Actuarial Section, and Statistical Section listed in the Table of Contents are also presented for the purpose of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The accompanying financial information listed as supplemental schedules in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

October 20, 2009
Boise, Idaho

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009 (UNAUDITED)

Management is pleased to provide Management's Discussion and Analysis ("MD&A") of the financial activities of the Public Employee Retirement System of Idaho (the "System" or "PERSI") as of and for the year ended June 30, 2009. The June 30, 2008 amounts are combined and are provided for comparative purposes. This overview and analysis is designed to focus on current known facts and activities and resulting changes.

The System administers six fiduciary funds. These consist of two defined benefit pension trust funds – the PERSI Base Plan and the Firefighters' Retirement Fund (FRF), two defined contribution pension trust funds – the PERSI Choice Plan 414(k) and 401(k), and two Sick Leave Insurance Reserve trust funds – State and Schools.

Financial Highlights

- Plan net assets for all pension and other funds administered by the System decreased $1.8 billion during fiscal year 2009 and decreased $571 million during the fiscal year 2008. The decreases in the Defined Benefit Plans, Choice Plans, and Sick Leave Fund were primarily due to the overall down turn in the investment market.

	2009	2008
PERSI Base Plan	$ (1,758,322,568)	$ (545,083,259)
Firefighters' Retirement Fund	(48,683,077)	(17,518,273)
PERSI Choice Plan 414(k)	(13,387,646)	(6,153,975)
PERSI Choice Plan 401(k)	(9,508,433)	20,715,413
Sick Leave Insurance Reserve Fund - State	(8,447,797)	(8,845,372)
Sick Leave Insurance Reserve Fund - Schools	(12,900,478)	(14,118,723)
Total decrease/increase in plan net assets	$ (1,851,249,999)	$ (571,004,189)

- Assets for the two defined benefit plans, the PERSI Base Plan and the FRF, are pooled for investment purposes. For the fiscal years ended June 30, 2009 and 2008, the rate of return net of investment expenses on the pooled investment assets are detailed below (these are plan-level returns). For the defined contribution plans, PERSI Choice Plan 414(k) and 401(k), individual participant returns may vary depending on their specific investment choices.

	2009	2008
PERSI Defined Benefit Plans	(16.3)%	(4.6)%
PERSI Defined Contribution Plans	(16.2)%	(5.1)%
Sick Leave Insurance Reserve Fund	(16.3)%	(9.7)%

All of the plans experienced unrealized losses as a result of an overall downturn in the investment market. Net investment income for all of the funds administered by the System for the fiscal years ended June 30, 2009 and 2008, was ($1.819) billion and ($562) million, respectively.

	2009	2008
Net investment income:		
PERSI Base Plan	$ (1,698,871,203)	$ (503,701,502)
Firefighters' Retirement Fund	(44,190,963)	(13,244,956)
PERSI Choice Plan 414(k)	(10,515,798)	(3,113,150)
PERSI Choice Plan 401(k)	(39,378,741)	(13,453,086)
Sick Leave Insurance Reserve Fund - State	(9,976,100)	(10,878,863)
Sick Leave Insurance Reserve Fund - Schools	(16,505,489)	(17,999,083)
Total net investment loss	$ (1,819,438,294)	$ (562,390,640)

- As of June 30, 2009 and 2008, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for the Base Plan is as follows.

	2009 Funding Ratio	Amortization Period	2008 Funding Ratio	Amortization Period
PERSI Base Plan	74.1%	over 100 years	93.3%	15.6 years
Firefighters' Retirement Fund	69.3%	8.5 years	no	valuation

For the PERSI defined benefit plans, deductions for benefits and administrative expenses exceeded contributions and other income by $63.9 million and $45.7 million for Fiscal Years 2009 and 2008, respectively. This increase in negative net cash flow is normal for a mature plan and has been included in our long-range actuarial planning. Investment income over a long time horizon fills in the gap. These changes combined with investment losses of $1.8 billion in 2009, decreased the net assets of the defined benefit plans to $8.9 billion. An investment loss of $516 million resulted in net assets for the defined benefit plans decreasing to $10.7 billion in 2008. For actuarial calculations, the System's actuary uses market value to determine the actuarial value of assets. For the July 1, 2009 and 2008 valuations, the actuarial value of assets for the PERSI Base Plan was $8.6 billion and $10.4 billion, respectively. The aggregate actuarial liability for all PERSI Base Plan employers was $11.7 billion on July 1, 2009. On an actuarial basis, the assets held as of July 1, 2009, fund 74.1% of this liability.

The System's funding objective is to meet long-term benefit obligations through contributions and investment income and provide a reserve against market fluctuations. The funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 30 of this report. The actuarial funding ratio for the two defined benefit plans declined of historically low investment performance well below the actuarial expected rate.

Using the Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The financial section is comprised of four additional components: (1) fund financial statements, (2) notes to financial statements, (3) required supplementary information, and (4) other supplementary schedules.

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statement of plan net assets as of June 30, 2009 and 2008 indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The statement of changes in plan net assets for the years ended June 30, 2009 and 2008 provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net asset value on the statement of net assets. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 31–46 of this report.

Required Supplementary Information — The required supplementary information consists of Schedules of Funding Progress and Schedules of Employer Contributions and related notes concerning the funding status for the defined benefit pension trust funds. These schedules provide historical trend information, illustrating the changes in the funded status over time.

Other Supplementary Schedules — The additional schedules (Schedule of Investment Expenses and Schedule of Administrative Expenses) are presented for additional analysis.

Comparative Financial Statements

Defined Benefit Pension Trust Funds

The PERSI Base Plan and the Firefighters' Retirement Fund are qualified plans under Internal Revenue Code and provide retirement and disability benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments. Assets for these plans are pooled only for investment purposes.

Defined Benefit Pension Trust Funds Net Assets

	As of June 30, 2009	As of June 30, 2008	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 2,878,187	$ 2,964,994	$ (86,807)	(2.9)%
Investments sold receivable	956,187,923	978,653,811	(22,465,888)	(2.3)%
Other receivables	41,381,903	51,597,217	(10,215,314)	(19.8)%
Investments — at fair value	8,983,739,876	11,009,984,968	(2,026,245,092)	(18.4)%
Prepaid retiree benefits	39,753,087	37,136,110	2,616,977	7.0 %
Capital assets — net of accumulative depreciation	2,450,321	2,550,603	(100,282)	(3.9)%
Total assets	10,026,391,297	12,082,887,703	(2,056,496,406)	(17.0)%
Liabilities:				
Investments purchased payable	1,127,886,499	1,375,704,493	(247,817,994)	(18.0)%
Benefits and refunds payable		619,616	(619,616)	(100.0)%
Other liabilities	10,152,751	11,205,902	(1,053,151)	(9.4)%
Total liabilities	1,138,039,250	1,387,530,011	(249,490,761)	(18.0)%
Net assets available for benefits	$ 8,888,352,047	$ 10,695,357,692	$ (1,807,005,645)	(16.9)%

The fiscal year ended June 30, 2009, was marked by an overall downturn in the investment market. Liabilities for benefits and refunds payable vary at fiscal year end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the balance sheet date.

The percent change in Investments Sold Receivable and Investments Purchased Payable fluctuates as the volume of trading activity by the System's professional investment managers' changes. The cash balance change was due to normal fluctuations in operating cash requirements and the timing of transfers to investment managers. Benefits and Refunds Payable fluctuate based on the demand for and timing of contribution refund payments.

Defined Benefit Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008	$ Change	% Change
Additions:				
Member contributions	$ 180,081,763	$ 170,733,787	$ 9,347,976	5.5 %
Employer contributions	298,042,867	286,277,106	11,765,761	4.1 %
Investment income	(1,743,062,166)	(516,946,458)	(1,226,115,708)	(237.2)%
Other additions	84,268	215,297	(131,029)	(60.9)%
Total additions	(1,264,853,268)	(59,720,268)	(1,205,133,000)	(2018.0)%
Deductions:				
Benefits and refunds paid	535,919,699	496,975,684	38,944,015	7.8 %
Administrative expenses	6,232,678	5,905,580	327,098	5.5 %
Total deductions	542,152,377	502,881,264	39,271,113	7.8 %
Changes in net assets available for benefits	$ (1,807,005,645)	$ (562,601,532)	$ (1,244,404,113)	(221.2)%

The annual amount of Investment Income and Changes in Net Assets Available for Benefits decreased from Fiscal Year 2008 to Fiscal Year 2009 because of the downturn in the investment market. The decrease in Other Additions was due to smaller average cash balances on hand for interest earnings at the State Treasurer Office. The increase in Benefits and Refunds Paid was a result of increased number of retirees and the 1% Cost of Living Adjustment (COLA) increase for benefits paid.

Defined Contribution Pension Trust Funds

During Fiscal Year 2009, the System administered two defined contribution plans. The PERSI Choice Plans, qualified plans under Internal Revenue Code, consist of a 401(k) plan and a 414(k) plan and provides another retirement benefit option to members of the Defined Benefit Pension Trust Funds.

The PERSI Choice Plans were created during Fiscal Year 2001. The 401(k) Plan consists of employee voluntary contributions, rollover contributions, and some employer matching contributions. The 414(k) Plan represents the gain sharing allocation made to eligible PERSI members during Fiscal Year 2001. The assets of these plans are pooled for investment purposes, but the 414(k) Plan cannot be used to pay the benefits of the 401(k) Plan and vice versa.

Defined Contribution Pension Trust Funds Net Assets

	As of June 30, 2009	As of June 30, 2008	$ Change	% Change
Assets:				
Cash	$ 12,676	$ 18,117	$ (5,441)	(30.0)%
Short-term investments	655,896	959,778	(303,882)	(31.7)%
Investments — at fair value	286,163,525	308,347,728	(22,184,203)	(7.2)%
Receivables	1,259,847	1,662,400	(402,553)	(24.2)%
Total assets	288,091,944	310,988,023	(22,896,079)	(7.4)%
Net assets available for benefits	$ 288,091,944	$ 310,988,023	$ (22,896,079)	(7.4)%

Investments decreased from Fiscal Year 2008 to Fiscal Year 2009. The decrease reflects the overall downturn in the investment market. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Assets

	June 30, 2009	June 30, 2008	$ Change	% Change
Additions:				
Member contributions	$ 35,680,207	$ 34,868,604	$ 811,603	2.3 %
Employer contributions	153,211	217,878	(64,667)	(29.7)%
Investment income	(49,894,538)	(16,566,235)	(33,328,303)	(201.2)%
Transfers and rollovers in	6,057,764	8,946,219	(2,888,455)	(32.3)%
Total	(8,003,356)	27,466,466	(35,469,822)	(129.1)%
Deductions:				
Benefits and refunds paid	6,766,643	5,631,977	1,134,666	20.1 %
Transfers and rollovers out	8,126,080	7,273,051	853,029	11.7 %
Total deductions	14,892,723	12,905,028	1,987,695	15.4 %
Changes in net assets available for benefits	$ (22,896,079)	$ 14,561,438	$ (37,457,517)	(257.2)%

Investment Income and changes in net assets available for benefits decreased from Fiscal Year 2008 to Fiscal Year 2009 because of the downturn in the investment market. Transfers In and Transfers Out represent rollovers from/to other plans. Member Contributions grew due to an increase in the number of employees with salary deferrals. Changes in Employer Contributions vary up or down according to individual employers' desire to match employee contributions. The increase in Benefits and Refunds Paid is a result of an increase in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2009, the System administered two Sick Leave Insurance Reserve Fund (SLIRF) trusts. The PERSI SLIRF provides payment of eligible postretirement insurance premiums on behalf of retired state and public school district employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System which make up the two separate trusts within the Fund.

Sick Leave Insurance Reserve Funds Net Assets

	As of June 30, 2009	As of June 30, 2008	$ Change	% Change
Assets:				
Cash	$ 133,982	$ 55,068	$ 78,914	143.3 %
Investments — at fair value	186,295,209	207,833,734	(21,538,525)	(10.4)%
Prepaid insurance premiums	1,145,220	1,079,293	65,927	6.1 %
Due from other funds	1,625,810	1,584,932	40,878	2.6 %
Total assets	189,200,221	210,553,027	(21,352,806)	(10.1)%
Liabilities — other liabilities	21,151	25,682	(4,531)	(17.6)%
Net assets available for benefits	$ 189,179,070	$ 210,527,345	$ (21,348,275)	(10.1)%

Investments decreased Fiscal Year 2008 to Fiscal Year 2009 because of the overall downturn in the investment markets. The increase in cash balance is the result of timing differences in operating cash needed to meet current liabilities.

Sick Leave Insurance Reserve Funds Changes in Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008	$ Change	% Change
Additions:				
Employer contributions	$ 19,558,689	$ 18,832,297	$ 726,392	3.9 %
Investment income	(26,481,589)	(28,877,944)	2,396,355	8.3 %
Other additions	8,608	27,865	(19,257)	(69.1)%
Total additions	(6,914,292)	(10,017,782)	3,103,490	31.0 %
Deductions:				
Benefits and refunds paid	14,339,783	12,867,321	1,472,462	11.4 %
Administrative expenses	94,200	78,990	15,210	19.3 %
Total deductions	14,433,983	12,946,311	1,487,672	11.5 %
Changes in net assets available for benefits	$ (21,348,275)	$ (22,964,093)	$ 1,615,818	7.0 %

Investment Income decreased Fiscal Year 2009 from Fiscal Year 2008 because of the downturn in the investment markets. The decrease in Other Additions was due to a decrease in interest earnings on the cash balance held at the State Treasurer's Office.

Plan Membership

This table reflects PERSI Base Plan and PERSI Choice Plans membership at the beginning and end of the fiscal year.

Changes in Plan Membership

	Base Plan			Choice Plan		
	2009	2008	Change	2009	2008	Change
Active participants	67,813	66,765	1.6 %	45,410	46,650	(2.7)%
Vested - Base Plan	42,205	41,502	1.7 %			
Non-vested - Base Plan	25,608	25,263	1.4 %			
Actively contributing - Choice Plan				12,912	10,286	25.5 %
Retirees and beneficiaries	32,197	30,912	4.2 %	66	60	10.0 %
Terminated vested	10,067	10,083	8.1 %	10,235	10,154	0.8 %

While the above table reflects changes in active participants, the following table demonstrates the changes in Base Plan retirees and beneficiaries during the period.

Changes in Retirees and Beneficiaries (Base Plan)

Beginning — June 30, 2008	30,912
New Retirements	2,216
Death of retiree/beneficiary	931
Ending — July 1, 2009	32,197

Investment Activities

Long-term (20-25 year) asset growth is vital to the Defined Benefit Plans' current and continued financial stability. Therefore, trustees have a fiduciary responsibility to act with prudence and discretion when making plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers are added, specific detailed investment guidelines are developed, adopted, and become part of that manager's agreement.

Portfolio performance is reviewed monthly by the Board and its consultants. Performance is evaluated individually, by money manager style, and collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international equities, domestic and international fixed income, private equity and real estate.

Economic Factors

PERSI, like any pension fund, has a broad range of opportunities for investment in the open market, as well as many choices for asset allocation and investment managers.

As of July 1, 2009, PERSI's Base Plan has a funded ratio of 74.1% and an amortization period on the unfunded actuarial liability well over the statutory 25 years. A contribution rate increase is under consideration. This decrease in the funded ratio was due to an investment return before expenses of -16.0% for Fiscal Year 2009. The actuarial experience loss (change in unfunded actuarial accrued liability) for Fiscal Year 2009 was approximately $2.28 billion leaving a $3.027 billion Unfunded Actuarial Accrued Liability at the year end.

As of September 30, 2009, the Base Plan had an investment return of +12.3% and a gain in net assets of over $1 billion making progress in recovering the losses experienced in Fiscal Year 2009.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET ASSETS – PENSION TRUST FUNDS AND OTHER TRUST FUNDS
JUNE 30, 2009 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2008

	Pension Trust Funds			
	PERSI	Firefighters'	PERSI Choice Plan	
	Base Plan	Retirement Fund	414(k)	401(k)
ASSETS				
Cash and cash equivalents	$ 2,804,870	$ 73,317	$ -	$ 12,676
Investments—at fair value				
Fixed income investments				
Domestic	2,057,519,518	53,782,136	-	-
International	33,190,520	867,577	-	-
Idaho commercial mortgages	420,913,232	11,002,381	-	-
Short-term investments	352,651,367	9,218,063	-	655,896
Real estate equities	472,968,320	12,363,065	-	-
Equity Securities				
Domestic	2,822,955,903	73,790,113	-	-
International	1,992,967,361	52,094,788	-	-
Private equity	601,726,809	15,728,722	-	-
Mutual, collective, unitized funds	-	-	50,452,055	235,711,470
Total investments	8,754,893,030	228,846,845	50,452,055	236,367,366
Receivables				
Investments sold	931,946,180	24,241,743	-	-
Contributions	4,955,007	61,850	-	311,735
Interest and dividends	35,443,102	921,944	199,719	748,393
Total receivables	972,344,289	25,225,537	199,719	1,060,128
Assets used in plan operations	2,450,321	-	-	-
Due from other plans	-	-	-	-
Prepaid retiree benefits	39,753,088	-	-	-
Total assets	9,772,245,598	254,145,699	50,651,774	237,440,170
LIABILITIES				
Accrued liabilities	8,315,672	211,269	-	-
Benefits and refunds payable	-	-	-	-
Due to other plans	1,625,810	-	-	-
Investments purchased	1,099,291,770	28,594,729	-	-
Total liabilities	1,109,233,252	28,805,998	-	-
NET ASSETS HELD IN TRUST (see unaudited supplementary schedules of funding progress)	$ 8,663,012,346	$ 225,339,701	$ 50,651,774	$ 237,440,170

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2009	2008
$ 59,428	$ 74,554	$ 3,024,845	$ 3,038,179
20,119,897	33,143,452	2,164,565,003	2,963,330,995
-	-	34,058,097	58,082,650
-	-	431,915,613	330,440,924
-	-	362,525,326	705,390,702
-	-	485,331,385	466,672,559
38,461,388	64,321,282	2,999,528,686	3,572,265,766
11,416,014	18,833,176	2,075,311,339	2,405,811,024
-	-	617,455,531	716,783,860
-	-	286,163,525	308,347,728
69,997,299	116,297,910	9,456,854,505	11,527,126,208
-	-	956,187,923	978,653,811
-	-	5,328,592	5,309,294
-	-	37,313,158	47,950,323
-	-	998,829,673	1,031,913,428
-	-	2,450,321	2,550,603
465,178	1,160,632	1,625,810	1,584,932
347,879	797,341	40,898,308	38,215,403
70,869,784	118,330,437	10,503,683,462	12,604,428,753
7,968	13,183	8,548,092	9,646,652
-	-	-	619,616
-	-	1,625,810	1,584,932
-	-	1,127,886,499	1,375,704,493
7,968	13,183	1,138,060,401	1,387,555,693
$ 70,861,816	$ 118,317,254	$ 9,365,623,061	$ 11,216,873,060

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN PLAN NET ASSETS – PENSION TRUST FUNDS AND OTHER TRUST FUNDS
YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2008

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ADDITIONS				
Contributions				
Members	$ 180,063,010	$ 18,753	$ -	$ 35,680,207
Empolyers	284,608,663	13,434,204	-	153,211
Transfers and rollovers in	-	-	-	6,057,764
Total contributions	464,671,673	13,452,957	-	41,891,182
Investment income				
Net appreciation in fair value of investments	(1,920,771,032)	(49,963,011)	(11,880,802)	(45,522,778)
Interest, dividends and other investment income	261,769,103	6,809,126	1,551,520	6,224,418
Less investment expenses	(39,869,274)	(1,037,078)	(186,516)	(80,380)
Total investment income- net	(1,698,871,203)	(44,190,963)	(10,515,798)	(39,378,740)
Other- net	84,268	-	-	-
Total additions	(1,234,115,262)	(30,738,006)	(10,515,798)	2,512,442
DEDUCTIONS				
Benefits and refunds paid to members and beneficiaries	517,974,628	17,945,071	1,814,867	4,951,776
Administrative expenses	6,232,678	-	-	-
Transfers and rollovers out	-	-	1,056,981	7,069,099
Total deductions	524,207,306	17,945,071	2,871,848	12,020,875
DECREASE IN NET ASSETS	(1,758,322,568)	(48,683,077)	(13,387,646)	(9,508,433)
NET ASSETS HELD IN TRUST				
Beginning of year	10,421,334,914	274,022,778	64,039,420	246,948,603
End of year	$ 8,663,012,346	$ 225,339,701	$ 50,651,774	$ 237,440,170

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2009	2008
$ -	$ -	$ 215,761,970	$ 205,602,392
5,889,260	13,669,429	317,754,767	305,327,281
-	-	6,057,764	8,946,219
5,889,260	13,669,429	539,574,501	519,875,892
(13,181,934)	(21,809,592)	(2,063,129,149)	(853,679,206)
3,239,763	5,360,237	284,954,167	340,572,633
(33,929)	(56,134)	(41,263,311)	(49,284,067)
(9,976,100)	(16,505,489)	(1,819,438,293)	(562,390,640)
2,554	6,054	92,876	243,162
(4,084,286)	(2,830,006)	(1,279,770,916)	(42,271,586)
4,328,025	10,011,758	557,026,125	515,474,982
35,486	58,714	6,326,878	5,984,570
-	-	8,126,080	7,273,051
4,363,511	10,070,472	571,479,083	528,732,603
(8,447,797)	(12,900,478)	(1,851,249,999)	(571,004,189)
79,309,613	131,217,732	11,216,873,060	11,787,877,249
$ 70,861,816	$ 118,317,254	$ 9,365,623,061	$ 11,216,873,060

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

1. GENERAL DESCRIPTION OF THE FUNDS

General — The Public Employee Retirement System of Idaho (the "System" or "PERSI") is the administrator of four pension plans including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan ("PERSI Base Plan") and the Firefighters' Retirement Fund (FRF); and two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) ("PERSI Choice Plan"). PERSI also administers two Sick Leave Insurance Reserve Trust Funds, one for state employers and one for school district employers.

Reporting Entity — The System is a discretely presented component unit of the State of Idaho and is included in the State of Idaho Comprehensive Annual Financial Report. The basic financial statements of the System include the financial activities of all of the above funds. A retirement board (the "Board"), appointed by the Governor and confirmed by the Idaho Senate, manages the System, which includes selecting the funding agents, establishing funding policy, and setting contribution rates.

Defined Benefit Retirement Plans — The PERSI Base Plan and FRF are both cost-sharing, multiple-employer defined benefit retirement plans that provide benefits based on members' years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries.

Statutes governing the PERSI Base Plan are Title 59, Chapter 13 of the Idaho Code. Statutes governing FRF are Title 72, Chapter 14 of the Idaho Code.

Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2009 and 2008, the number of participating employer units in the PERSI Base Plan was:

	2009	2008
Cities	146	146
School districts	151	149
Highway and water districts	124	122
State subdivisions	97	96
Counties	41	40
Other	165	153
	724	706

As of June 30, 2009 and 2008, the number of benefit recipients and members in the System consisted of the following:

	2009	2008
Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:		
Members:		
Active	67,813	66,765
Terminated and vested	10,067	10,083
Retirees and beneficiaries	32,197	30,912

FRF has 23 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2009, there were 5 active members and 526 retired members or beneficiaries, collecting benefits from FRF. The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the Base Plan. The cost of these additional benefits is paid by FRF member and employer contributions and receipts from a fire insurance premium tax.

The benefit payments for the PERSI Base Plan and FRF are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The Retirement Board has the authority to provide higher PERSI Base Plan cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature. The cost of living increase for the FRF is based on the increase in the statewide average firefighter's wage.

The PERSI Base Plan and FRF benefits are funded by contributions from members and employers and earnings from investments. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. Member and employer contributions are paid as a percentage of applicable member compensation. PERSI Base Plan member contribution rates are defined, by state law, as a percentage of the employer contribution rate. FRF member contribution rates are fixed by state law. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the System. Costs of administering the fund are financed through the contributions and investment earnings of the System.

Upon termination of employment, accumulated member contributions plus interest, accrued at 1.0% from January 1, 2009 through June 30, 2009 (17.51% from July 1, 2008 through December 31, 2008) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Defined Contribution Retirement Plans — The PERSI Choice Plans are defined contribution retirement plans. The statute governing the PERSI Choice Plans is Idaho Code Title 59, Chapter 13.

The PERSI Choice Plans are defined contribution pension plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment and recordkeeping purposes. Participants direct their investment mix with the following restrictions: 1. Within the two international fund options, a participant may make up to two transfers involving one or both of those funds within a rolling 90-calendar-day period. 2. Effective April 1, 2009 a growth and income fund option added a 60 day purchase restriction; a participant who moves any portion of their holdings out of this fund will be prohibited from reinvesting in this same fund for 60 days.

Participants may also elect to change their salary deferral every pay period. The 401(k) portion of the PERSI Choice Plans was established February 1, 2001. On May 1, 2001, this Plan became open to voluntary employer matching contributions at rates determined by the employers. Beginning July 1, 2001 the plan became open to all active PERSI members. Beginning in January 2002, employees could make tax-deferred contributions up to 100% of their gross salary less deductions and subject to the Internal Revenue Service (IRS) annual contribution limit. The 414(k) portion of the PERSI Choice Plans was established for gain sharing allocations from the PERSI Base Plan. The gain sharing amount (if any) is based on funding levels in the Base Plan and is subject to Board approval. Eligibility for Gain Sharing requires twelve months of active PERSI Base Plan membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

The System has entered into a contract with ACS HR Solutions, LLC (ACS) for plan recordkeeping services. The plan offers twelve investment options, which are mutual, unitized, or collective funds. The plans include the PERSI Total Return Fund ("PERSI TRF"), the Calvert Socially Responsible Balanced Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1% increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI TRF is made. The PERSI TRF is a unitized fund comprised of investment accounts of the PERSI Base Plan.

All 724 PERSI employer units are eligible to have participating employees in the PERSI Choice Plan. As of June 30, 2009, there were 45,410 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 414(k) Plan and the 401(k) Plan. As of June 30, 2009, the Choice Plan 414(k) had 36,046 participants, and the Choice Plan 401(k) had 23,331. The administrative expenses of the PERSI Choice Plans are paid to ACS and funded by the PERSI Base Plan.

Other Trust Funds —The Sick Leave Insurance Reserve Fund (SLIRF) is classified as a trust fund. For state and school employers, unused sick leave benefits are subject to the guidance of Governmental Accounting Standard Board (GASB) Statement 16, *Accounting for Compensated Absences* prior to the time of retirement.

The SLIRF is made up of two trust funds administered by PERSI - a trust for payment of school district employee benefits and a trust for payment of state employee benefits. The statutes governing the SLIRF are Idaho Code, Sections 67-5339, 33-1216, 59-1365, and 33-1228.

The SLIRF is a fund that exists for the payment of unused sick leave benefits in the form of insurance premiums for state employees and school district employees who separate from service by reason of retirement. The assets of the two trusts are commingled for investment purposes. The System administers these trusts on behalf of the participating employers. Employers' contributions are a percentage of payroll collected each pay cycle and are held in trust for future benefits.
The SLIRF is used to pay eligible postretirement insurance premiums on behalf of former employees based on unused accumulated sick leave at their retirement date. The school districts and the State are responsible for any unfunded benefit obligations, respectively, through contribution rate adjustments.

School District Employees — For school district employees, the unused sick leave amount available for benefit is limited to one-half of their eligible sick leave balance and rate of compensation at retirement.

State Employees — State employees are limited to the number of allowable hours of sick leave they may use as part of the unused sick leave program as follows:

Credited Hours of State Service	Maximum Allowable Sick Leave Hours
0–10,400 (0–5 years)	420
10,401–20,800 (5–10 years)	480
20,801–31,200 (10–15 years)	540
31,201+ (15 years or more)	600

Members may use one-half of sick leave hours accrued up to the allowable maximum multiplied by their rate of compensation at retirement.

The rate for state agency contributions was 0.65% of covered salary at June 30, 2009. In April 2006, Rule 552 section 2, addressing contribution rates for school districts, was amended which included a phased rate increase implemented over three years. Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. March 1, 2009 the scheduled rate changes were delayed until July 2011 and July 2012. The scheduled rates are as follows:

Days Earned	Beginning - July 1, 2006	July 1, 2011	July 1, 2012
9–10 days	1.16 %	1.18 %	1.21%
11–14 days	1.26	1.35	1.44%
More than 14 days	Individual rate to be set by the Retirement Board based on current cost and actuarial data and reviewed annually.		

Subsequent Events - The Company has evaluated subsequent events through October 14, 2009, the date which the financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The System's basic financial statements are prepared utilizing the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The System adheres to GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Investments — The System's investments are presented at fair value. Purchases and sales are recorded at the trade date. At month end, there may be certain pending trades that were initiated by managers but not confirmed and, therefore, are not included in the fair value of investments. Investments of the PERSI Base Plan, FRF, and the PERSI TRF (an option of the PERSI Choice Plan) are pooled for investment purposes as is disclosed in Note 3.

The Board utilizes and directs individual fund managers to provide whatever investment management and custodial functions the Board has determined best achieves the System's investment objectives. Each fund manager is generally granted full discretion in making investment decisions, within asset allocation policy, portfolio investment policy, specific investment guidelines and other special restrictions set by the Board. The Board monitors overall investment performance and periodically evaluates the performance of each fund manager. The Board in its administration of the System and management of the investment program is guided by the Idaho Uniform Prudent Investor Act, Sections 68-501 through 68-514 of the Idaho Code and of fiduciary responsibilities in

the Idaho Code, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments. The Board has adopted an investment policy including policy related to deposit and investment risks identified in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents 7.1% of total investments. PERSI's real estate and commercial mortgage investments are 6.5% and 4.9%, respectively of total investments.

The System purchases forward currency contracts for certain international investments and United States of America agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. The System may incur minor recording costs for forward contracts until the settlement date. Potential future obligations for the forward contracts are not recognized until the contract expiration date.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and liabilities, disclosure of contingent liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Assets Used in Plan Operations — These assets represent buildings, equipment, and computer software development costs used by the System and are recorded at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30 years. The estimated useful life of the computer software development costs is 5 years. Computer and technology equipment has a 3-year useful life.

Totals — The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2008, from which the summarized information was derived.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost plus accrued interest. Cash balances represent operating cash accounts held by various banks and on deposit with the State Treasurer. Cash held by the State Treasurer is held in the System's name and is fully insured or collateralized with securities held by the State Treasurer or by its agent in the State Treasurer's name. Cash deposits in bank accounts for operations are covered by federal depository insurance up to $250,000. The System does not have a policy for custodial credit risk related to operating cash on deposit at local financial institutions.

Cash and cash equivalents:	
Held by the State Treasurer	$ 2,517,409
FDIC insured/collateralized	371,748
Uninsured and uncollateralized	135,688
Total	**$ 3,024,845**

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Trustees has contracted with investment managers, a master global custodian, other custodians, and a cash manager. Manager contracts include specific guidelines regarding the PERSI investments under management. For the year ended June 30, 2009, BNY Mellon Asset Servicing is the global custodian for the majority of the investments of the combined PERSI Base Plan, FRF, and PERSI Choice Plans.

Investments at fair value as of June 30, 2009 are as follows:

Domestic fixed income	$ 2,111,301,654
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	53,263,349
International Fixed Income	34,058,097
Idaho commercial mortgages	431,915,613
Short-term investments	362,525,326
Real Estate	485,331,385
Domestic equities	2,896,234,609
Domestic equities-Convertibles	511,407
Co-mingled domestic equity-(Sick Leave Insurance Reserve Fund)	102,782,670
International equities	2,045,062,149
Co-mingled international equity-(Sick Leave Insurance Reserve Fund)	30,249,190
Private Equity	617,455,531
Mutual Funds, collective, unitized funds	286,163,525
Total Investments	**$ 9,456,854,505**

Derivatives — Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. They are designed, among other things, to help investors protect themselves against the risk of price changes. In accordance with its investment policy, the System, through its external investment managers, holds investments in futures, options, and forward foreign currency contracts. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis.

Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Each day the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to the nonperformance of counterparties to futures contracts is minimal. At June 30, 2009, the System had futures contracts with a fair value of $(59,242), which is included in Fixed Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the System's Statement of Investment Policy.

At June 30, 2009, the System had the following net futures contracts exposure:

	Exposure covered by contract
Cash and cash equivalents — Eurodollar	$ 39,445,213
U.S. Treasury bond futures	(2,012,109)
U.S. Treasury note futures	39,415,375
German Treasury note futures	6,801,310

Option contracts are contractual agreements giving the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. The option's price is usually a small percentage of the underlying asset's value. Options strategies used by the System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2009, the System had option contracts payable with a fair value of $92,691, which is included in liabilities reported as Investments Purchased.

At June 30, 2009, the System had the following options contracts exposure:

	Exposure covered by contract
Cash and cash equivalents written call options	$ 3,488
Cash and cash equivalents written put options	1,000
Fixed income written call options	76,734
Fixed income written put options	11,469

Forward Foreign Currency Exchange Contracts are carried at fair value by the System. The System has entered into foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the System's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. Forward foreign exchange contracts are negotiated between two counterparties. The System could sell the forward contract at a loss, or if it were to continue to hold the contract, the System may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. The System could also incur a loss if its counterparties failed to perform pursuant to the terms of their contractual obligations. Controls are established by the System and the investment managers to monitor the creditworthiness of the counterparties. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. As of June 30, 2009, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $952,551,870 and had entered into forward currency contracts to buy foreign currencies with a fair value of $958,831,275. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized losses of $6,279,405 at June 30, 2009 were recorded, which represent the loss which would occur from executing these forward foreign currency contracts at June 30, 2009.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section below.

TIPS — Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2009, the System had invested in TIPS with a fair value of $1,039,631,454.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System's investment policies requires each portfolio manager to maintain a reasonable risk level relative to its benchmark and provided expected credit risk exposures in their portfolio guidelines. If the actual credit risk exposure falls outside of these expectations, managers will be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

As of June 30, 2009, the System's fixed income assets that are not government guaranteed represented 58% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table below.

Credit Quality S&P Rating Level	Domestic	International	Total
Agency (A-1+)	$ 337,351,321	$ -	$ 337,351,321
AAA	86,553,675	15,738,916	102,292,591
AA	20,999,024	1,496,186	22,495,210
A	305,875,590	11,757,679	317,633,269
BBB	114,799,102	1,855,883	116,654,985
BB	18,952,592	29,750	18,982,342
B	15,655,096	6,585	15,661,681
CCC	7,150,632	-	7,150,632
CC	750,520	-	750,520
C	26,004	-	26,004
D	1,999,090	12,924	2,012,014
Not rated	275,302,447	3,160,175	278,462,622
Total credit risk fixed income securities	1,185,415,093	34,058,098	1,219,473,191
U.S. government	1,252,050,191	-	1,252,050,191
Pooled investments	72,138,984	-	72,138,984
Idaho mortgages	431,915,613	-	431,915,613
Total	$ 2,941,519,881	$ 34,058,098	$ 2,975,577,979

Each portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the System's investment policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.

D. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution or bank failure, the System would not be able to recover the value of their deposits and investments that are in the possession of an outside party. The System mitigates custodial credit risk by requiring in policy, to the extent possible, that investments be clearly marked as to PERSI ownership and be registered in the System's name. All securities are required to be delivered to a third-party institution mutually agreed upon by the bank and the System.

The System's short-term investments are created through daily sweeps of excess cash by the System's custodian and cash manager into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash in short-term instruments. Clearwater Advisors manages approximately 94% of the System's short-term investments. Of the short-term investments at June 30, 2009, $16,890,090 was held by various counterparties not in the System's name. The remainder of the pooled short-term investment funds is invested in bank-maintained collective investment funds except collective vehicles held and managed by individual investment managers.

E. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The System's operational guidelines for investments in any corporate entity are stated in each individual manager's specific portfolio guideline.

Per the Systems Investment policy, managers will provide expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole Staff will report to the Board at a regular Board Meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the System's net assets.

In line with policy, the System does not have any investments from a single issuer (excluding explicitly guaranteed governments) that represent more than 5% of the System's net assets.

F. Interest Rate Risk

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with operational guidelines which include an expected range of interest rate risk in the portfolio. Per the System's investment policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the tables below quantifies the interest rate risk of the System's fixed income assets. Some of the large durations are due to the use of options and forward foreign currency contracts. For line items below reported as "N/A," the duration calculation is not available.

Effective duration of domestic fixed income assets by security type:

Investment	Fair Value	Effective Duration in Years
Asset-backed Securities	$ 3,991,376	0.39
Asset-backed Securities	1,515,526	N/A
Mortgages	27,631,056	1.89
Mortgages	2,806,719	N/A
Commercial Paper	238,393,705	0.07
Commercial Paper	23,385,325	N/A
Corporate Bonds	345,269,378	5.83
Corporate Bonds	10,227	N/A
Fixed Income Derivatives	(55,757)	24.37
Fixed Income Derivatives	(69,028)	N/A
Government Agencies	184,427,056	3.51
Government Bonds	238,382,805	6.16
Government Mortgage-backed Securities	215,716,823	2.95
Pooled Investments	18,875,635	0.08
Pooled Investments	53,263,350	N/A
Preferred Stock	225,356	1.51
Preferred Stock	243,756	N/A
Private Placements	30,678,870	2.11
Private Placements	111,244,705	N/A
TIPS	1,013,667,385	4.86
Idaho Mortgages	431,915,613	N/A
Total	$ 2,941,519,881	

Continued

Effective duration of international fixed income assets by security type:

Investment	Fair Value	Effective Duration in Years
Asset Backed Securities	$ 256,474	3.49
Asset Backed Securities	42,723	N/A
Corporate Bonds	1,455,597	4.84
Government Agencies	8,341,270	3.62
Government Bonds	23,977,476	4.89
Fixed Income Derivatives	(15,442)	N/A
Total	$ 34,058,098	

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System's investment policy, individual manager guidelines outline at a minimum, ranges of currency exposure which are monitored within each portfolio. Managers are required to report variances to the System. Currency gains and losses will result from exchange rate fluctuations. The System's exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2009, is highlighted in the table below:

Currency exposures:

Currency	Short-term Investment	Equities	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (3,156,717)	$ 78,815,386	$ 3,644,799	$ 79,303,468
BRAZIL REAL	1,059,818	91,851,704	1,674,863	94,586,385
BRITISH POUND STERLING	2,680,905	275,184,482	3,149,260	281,014,646
CANADIAN DOLLAR	(2,856,103)	37,781,427	11,358,265	46,283,589
CHILEAN PESO	50,388	2,698,088	-	2,748,476
CHINESE YUAN RENMINBI	-	27,050	-	27,050
CZECH KORUNA	50,562	3,337,202	-	3,387,764
DANISH KRONE	38,108	5,899,525	-	5,937,634
EGYPTIAN POUND	56	17,124,949	-	17,125,004
EURO CURRENCY UNIT	(4,062,010)	543,616,538	6,752,300	546,306,828
HONG KONG DOLLAR	4,940,774	174,102,750	-	179,043,524
HUNGARIAN FORINT	32,009	9,912,526	-	9,944,535
INDONESIAN RUPIAN	20,221	60,845,711	-	60,865,932
ISRAELI SHEKEL	40,759	17,463,903	-	17,504,662
JAPANESE YEN	(8,566,677)	288,585,743	-	280,019,066
KENYAN SHILLING	-	289,685	-	289,685
MALAYSIAN RINGGIT	-	7,505,660	-	7,505,660
MEXICAN NEW PESO	(4,699,311)	14,253,829	5,036,166	14,590,684
NEW TAIWAN DOLLAR	1,620,026	54,798,232	-	56,418,258
NEW TURKISH LIRA	(375,384)	60,643,709	-	60,268,325
NEW ZEALAND DOLLAR	3,851	2,196,474	-	2,200,324
NORWEGIAN KRONE	137,955	6,527,715	-	6,665,670
PHILIPPINES PESO	66,229	2,721,347	-	2,787,576
POLISH ZLOTY	(1,418,888)	-	2,939,267	1,520,379
S AFRICAN COMM RAND	755,309	101,760,080	-	102,515,390
SINGAPORE DOLLAR	151,161	22,030,362	-	22,181,523
SOUTH KOREAN WON	1,063,569	97,676,057	-	98,739,626
SRI LANKA RUPEE	-	426,690	-	426,690
SWEDISH KRONA	15,268	23,133,355	-	23,148,623
SWISS FRANC	878,448	75,228,113	-	76,106,560
THAILAND BAHT	218,431	31,028,714	-	31,247,144
ZIMBABWE DOLLAR	-	341,867	-	341,867
Total value of investments subject to foreign currency risk	$ (11,311,244)	$ 2,107,808,870	$ 34,554,921	$ 2,131,052,547

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2009, consist of the following:

	2009
Buildings and improvements	$ 5,515,888
Less accumulated depreciation	(3,160,106)
Total buildings and improvements	2,355,782
Computer software development	6,331,360
Less accumulated amortization	(6,331,360)
Total computer software development	-
Equipment	210,544
Less accumulated depreciation	(116,005)
Total equipment	94,539
Total assets used in plan operations - net	$ 2,450,321

For the year ended June 30, 2009, depreciation expense on the buildings and improvements was $160,695. The computer software development costs were fully depreciated as of June 30, 2006. The equipment had a total depreciation expense of $38,196 for 2009. The depreciation costs are included in administrative expenses.

5 CONTRIBUTIONS

The System's funding policy for the PERSI Base Plan and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll), that are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for the PERSI Base Plan and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by the Base Plan and the FRF assets over the earnings of all firefighters. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately $2,678,675,000 and $555,000, respectively for the year ended June 30, 2009.

Normal cost is 14.62% of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.27% of covered payroll for the PERSI Base Plan. There is no normal cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the unfunded actuarial liability.

Senate Bill 1183 changed the current payment rate of 3.03% of pay to 1.49% for the optional retirement plan of colleges and universities, effective July 1, 2007.

The contribution rates for the year ended June 30, 2009 and forward are:

Optional retirement plan employees of higher education:	
Colleges and universities	1.49 %
Junior colleges	3.83%

	Active Members		Employers	
	General/ Teacher	Fire/ Police	General/ Teacher	Fire/ Police
Contribution rate effective July 1, 2004	6.23 %	7.65 %	10.39 %	10.73 %

FRF employer and employee contribution rates for firefighters hired before October 1, 1980, are 25.89% and 3.80%, respectively, in addition to the PERSI Police and Fire rates shown above. The employer contribution rate for firefighters hired after October 1, 1980, is 17.24%.

ACTUARIAL INFORMATION

The information presented in the Required Supplementary Information was prepared for GASB disclosure purposes and may differ from the funding determination as of the dates indicated. Additional information as of the latest actuarial valuation for GASB purposes is as follows:

	PERSI	FRF
Valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — closed
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75 %	7.75 %
Projected salary increases —	5.0 % - 11.5 %	4.50 %
Includes salary inflation	4.50 %	4.50 %
Postretirement benefit increase	1.00 %	4.50 %
Implied price inflation rate	3.75 %	3.75 %

SCHEDULES OF FUNDING PROGRESS
PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND
FISCAL YEAR 2009
(Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8

(a.) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.
(b.) Actuarial accrued liabilities less actuarial value of assets and present value of future Optional Retirement Plan (ORP) Contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing allocations granted after the valuation date. If negative, amount is referred to as a funding reserve.
(c.) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.
(d.) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2009	225.3	325.3	100.0	69.3	55.7	179.5

(e.) Annual covered payroll includes compensation paid to all active firefighters hired prior to October 1, 1980. Annual Covered Payroll differs from Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

A multi year presentation of funding progress for the Fiscal Years 2004 – 2009 can be found immediately following the notes to the Financial Statements in the Required Supplementary Information Section starting on page 49.

6. Pension plan participation

The System participates as an employer in the PERSI Base Plan, a cost sharing multiple-employer public retirement system, which was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provides for other political subdivisions to participate by contractual agreement with the System. Financial reports for the Plan are available from the System upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the System and its employees are established and may be amended by the PERSI Board of Trustees. For the years ended June 30, the required contribution rates were 6.23% for general members 7.65% for police/fire fighter. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/fire fighter. PERSI general member contributions required and paid were $285,350, $281,773, and $273,306, for the three years ended June 30, 2009, 2008, and 2007, respectively.

7. OTHER POST EMPLOYMENT BENEFITS

The state funds or partially funds post-employment benefits relating to health, disability, and life insurance. PERSI participates in the State of Idaho's post employment benefit programs. The State administers the retiree healthcare plan which allows retires to purchase healthcare insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage. Benefits costs are paid by PERSI through a rate charged by the State. The primary government (State of Idaho) is reporting the liability for the retiree healthcare and long term disability benefits. Specific details of these other post-employment benefits are available in the Comprehensive Annual Financial Report of the State of Idaho which may be accessed at www.sco.idaho.gov.

8. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2009 of $505,250,349.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND SCHEDULES OF FUNDING PROGRESS

FISCAL YEARS 2004–2009

(Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	748.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8

(a.) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.
(b.) Actuarial accrued liabilities less actuarial value of assets and present value of future Optional Retirement Plan (ORP) Contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing allocations granted after the valuation date. If negative, amount is referred to as a funding reserve.
(c.) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.
(d.) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)		(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2004	210.4	302.6		92.2	69.5	39.8	231.7
July 1, 2005	227.2	309.1		81.9	73.5	42.2	194.1
July 1, 2006	248.8	312.3		63.5	79.7	45.0	141.1
July 1, 2007	291.5	314.8		23.3	92.6	47.6	48.9
July 1, 2008			No Valuation				
July 1, 2009	225.3	325.3		100.0	69.3	55.7	179.5

(e.) Annual covered payroll includes compensation paid to all active firefighters hired prior to October 1, 1980. Annual Covered Payroll differs from Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND SCHEDULES OF EMPLOYER CONTRIBUTIONS

FISCAL YEARS 2004–2009
(Dollars in millions) (UNAUDITED)

	PERSI Employer Contributions			FRF Employer Contributions (c.)		
Year Ended June 30	Total Employer Contributions (Statutory)	Annual Required Contribution (ARC) (a.)	Percentage Contributions	Total Employer Contributions	Annual Required Contribution	Percentage Contributions
2004	212.6	218.8	97.0	11.7	10.2	114.9
2005	236.2	236.7	100.0	11.7	7.2	162.3
2006	250.8	238.1	105.0	12.0	6.5	186.2
2007	259.5	235.4	110.0	12.1	5.0	240.8
2008	273.3	251.4	109.0		No Valuation	
2009	284.6	232.0	123.0	13.2	1.8	723.6

(a.) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employers' fiscal years commencing October 1, of the calendar year following the valuation date. For ORP employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

ACTUARIAL INFORMATION

The information presented in the required supplementary information was prepared for GASB disclosure purposes and may differ from the funding determination as of the dates indicated. Additional information as of the latest actuarial valuation for GASB purposes is as follows:

	PERSI	FRF
Valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — closed
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75 %	7.75 %
Projected salary increases —	5.0 % - 11.5 %	4.50 %
Includes salary inflation	4.50 %	4.50 %
Postretirement benefit increase	1.00 %	4.50 %
Implied price inflation rate	3.75 %	3.75 %

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2009

INVESTMENT AND RELATED SERVICES:	
Adelante Capital	$ 1,268,725
Apollo Management	397,381
Baring Asset Management, Inc.	1,375,016
Sanford C. Bernstein	3,262,668
BCA Publication, Inc.	6,000
Blackstone	255,707
Bloomberg, LP	60,325
Brandes Investment Partners, LP	1,582,930
Bridgepoint Cap LTD	274,968
Callan Associates	256,791
Capital Guardian Trust Company	1,234,198
Cerberus Institutional Partners	36,000
Chadwick, Saylor & Co., Inc.	2,654,630
Chisholm Partners, LP	213,825
Choice Plan Managers	266,896
Clearwater Advisors, LLC	630,075
CVC European Equity	319,679
D.B. Fitzpatrick & Co., Inc.	1,723,950
Donald Smith & Company	1,294,730
Enhanced Equity	747,827
Fidelity	484,867
First Reserve	87,463
Fortis Investment	890,311
Frazier Technology Ventures	159,803
Galen Partners, LP	484,194
Genesis Asset Managers, Ltd.	2,336,856
Goense Bounds & Partners, LP	75,705
Gores Capital Partners, LLP	67,438
Green Equity Investors IV, LP	433,872
Hamilton Lane Advisors, Inc.	155,000
Hamilton Lane Co-Investment Fund	(379,308)
Hamilton Lane Secondary Fund	200,000
Highway 12	902,279
J.H. Whitney & Co., LLC	429,883
KKR 2006 Fund	397,747
Kohlberg & Co.	523,651
Lindsay Goldberg & Bessemer	664,178
Littlejohn & Company	60,741
Mellon Capital Management	495,847
Mellon Trust	2,371,446
Mondrian Investment Partners	825,649
Mountain Pacific Investment Advisors, Inc.	738,638
Navis Partners, LP	96,376
Newbridge Asia	88,005
Pareto Partners	650,158
Peregrine Capital Management	758,667
Providence Investments	352,776

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2009

INVESTMENT AND RELATED SERVICES:	
Prudential Investments	385,100
State Street Global Advisors	387,543
TCW Asset Management	887,218
TPG Partners, LP	1,190,771
Tukman Grossman Capital Management, Inc.	1,404,777
Wells Fargo Bank	70,465
Western Asset	819,506
Zesiger Capital Group	1,883,015
	39,242,958
CONSULTING/OTHER SERVICES:	
ACS HR Solutions, LLC	1,243,509
Capmark Finance, Inc.	19,536
Eide Bailly, LLP	60,000
Foster, Pepper, PLLC	363,108
Milliman, Inc.	193,682
Robert Storer	65,126
Whiteford, Taylor & Preston	9,457
William Raver	65,935
	2,020,353
	$ 41,263,311

(Concluded)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2009

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 530,732
Operating Expenses	140,908
Capital Outlay	4,767
	676,407
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,316,849
Operating expenses	2,006,105
Capital outlay	34,425
Building depreciation expense	160,695
Equipment depreciation expense	38,197
	5,556,271
SICK LEAVE FUND EXPENSES — Administrative personnel expenses	94,200
	$ 6,326,878

EideBailly
CPAs & BUSINESS ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

We have audited the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the “System”), a component unit of the State of Idaho, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered System’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System’s financial statements that is more than inconsequential will not be prevented or detected by the System’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the System's board, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Boise, Idaho
October 20, 2009

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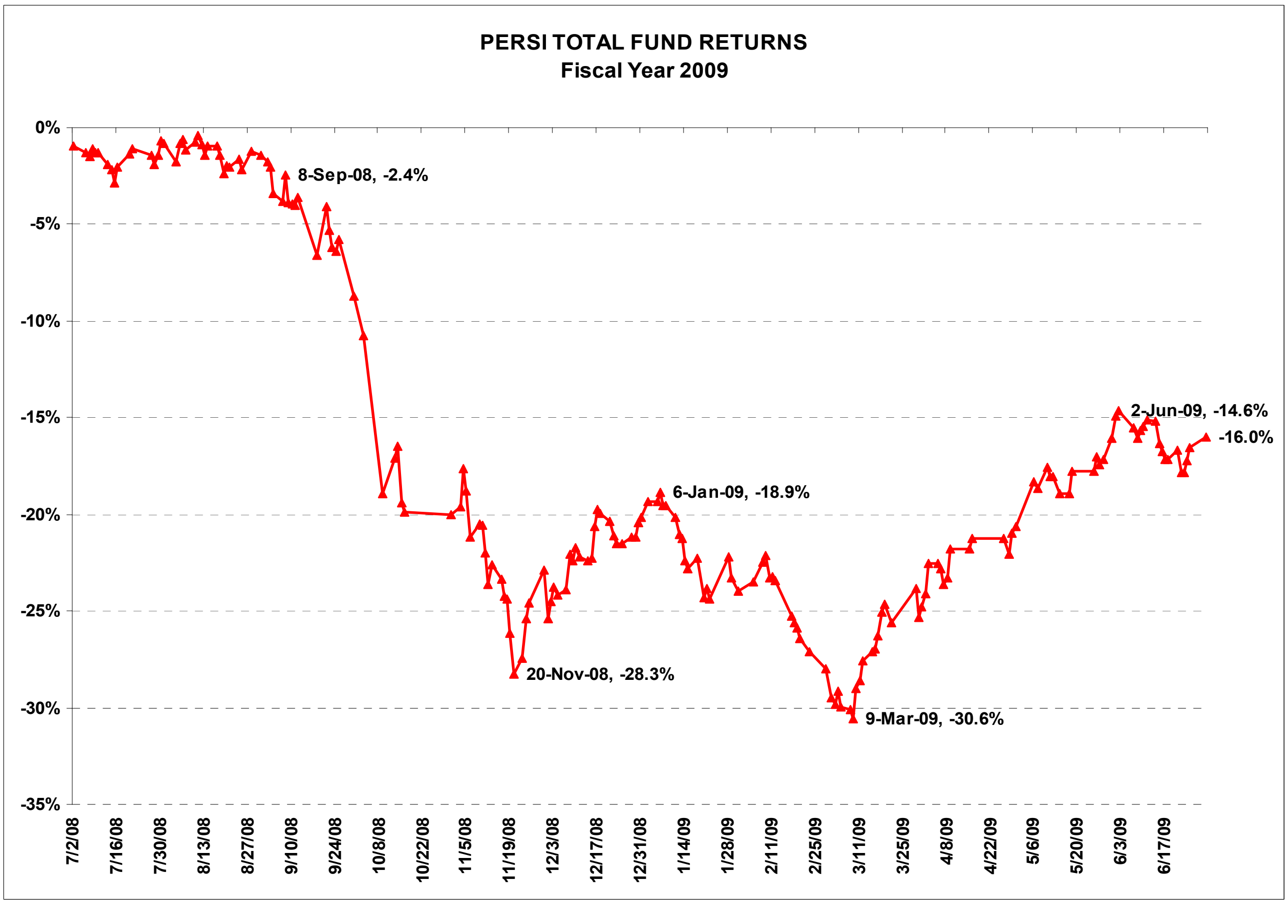
Investment Section

REPORT ON INVESTMENT ACTIVITY
Prepared by Robert M. Maynard, Chief Investment Officer

OVERVIEW OF FISCAL YEAR 2009

It was a terrible year. As befits the worst economic, financial, and market crisis since the Great Depression, PERSI matched the lowest previous fiscal year return in our history (1974) with a return of -16.0%. The fund ended the year at $9,075,049,353, representing an investment loss of $1.75 billion.

It could have been even worse – and for most of the year it was. At one point during the year, PERSI was down over -30%, and was down to below $7.6 billion. The year was characterized by stunning drops and similarly large and rapid recoveries.

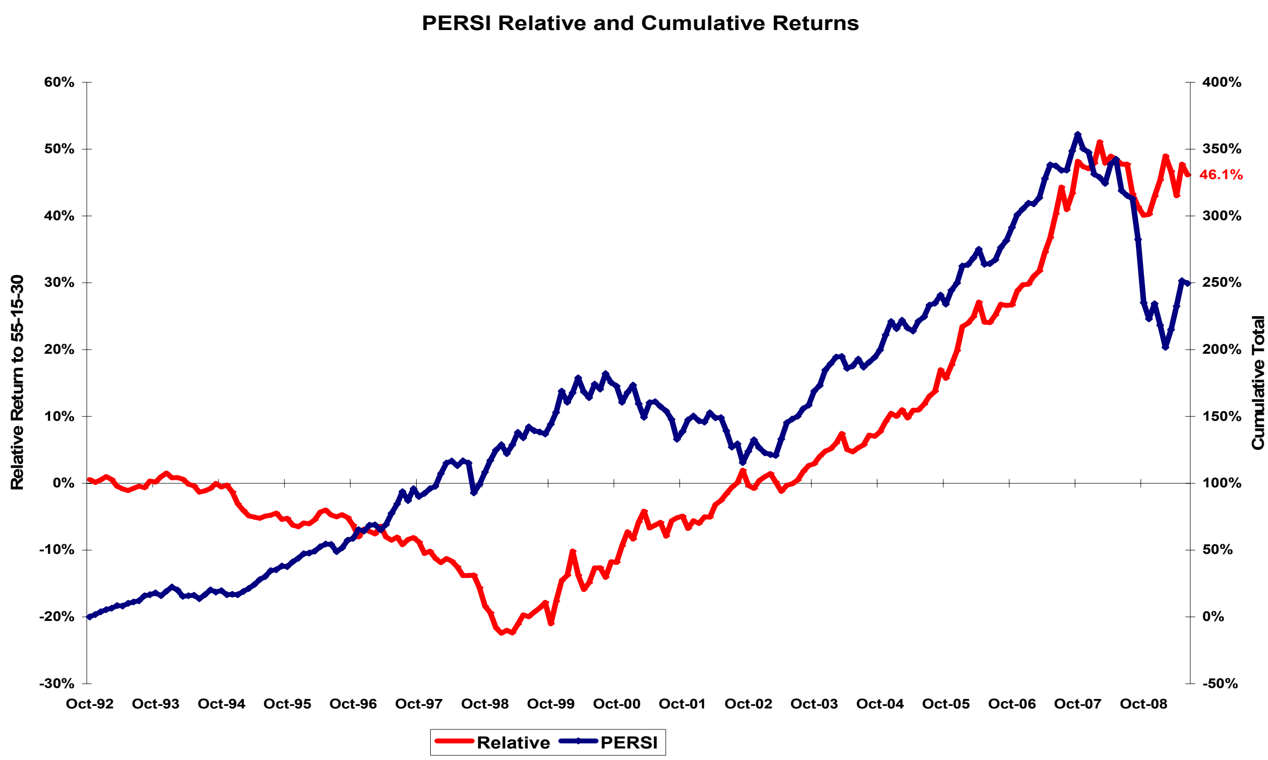


With the collapse of Lehman on September 11, 2008, the world capital markets went into a nose dive the likes of which haven't been seen since 1929-1930. PERSI lost over 26% in the following two months, recovered almost 13% in the next month and a half, lost 14% in the next two months, then made 23% in the succeeding two and a half months. Overall, the returns for the year actually felt much worse than our ending point indicated.

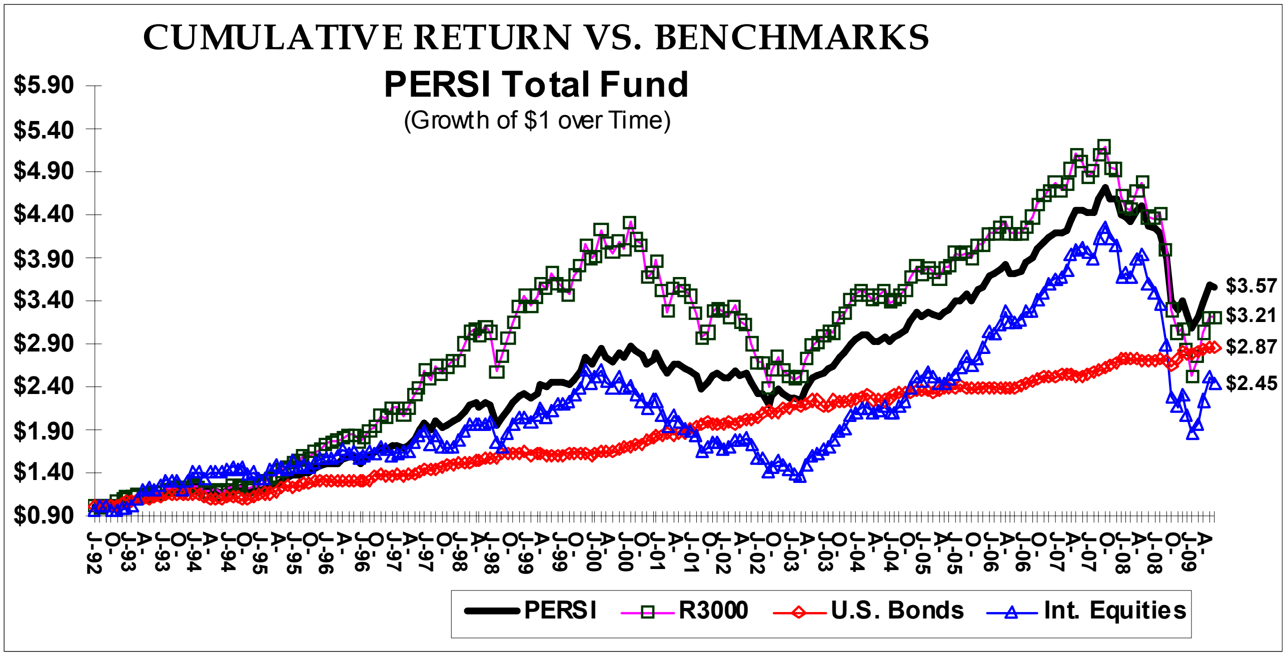
On the other hand, it may have been PERSI's best year, as well. Although from a purely return perspective we ended the year absolutely depressed, we were actually relatively happy, for three primary reasons: our returns relative to benchmarks (and peers) were excellent, the fund (given the markets) benefited from diversification, from careful rebalancing, and from certain managers stepping up their relative performance to help our returns. Importantly, in one of the most severe stress tests a portfolio could endure, the PERSI fund experienced no liquidity or operational stresses or strains (unlike many of our peers in pension and endowment land).

In fact, last year was the type of year where, in the long term, PERSI “makes its money”. As a long term investor that depends on market returns over extended periods of time, our basic goal is to lose less than the markets when markets collapse, and keep up with the markets when they rise. Over time, the cumulative impact of this activity has served PERSI well, and the performance of the portfolio over the past year may turn out to position us very well for the next decade.

PERSI ended up the year well ahead of its strategic benchmarks, and also well ahead of most of its peers. The overall fund outperformed the strategic benchmark (55% Russell 3000, 15% EAFE, 30% BC Aggregate) by 2.0%, which brings the total outperformance for the PERSI fund over the past 17 years to over 46%:



PERSI’s cumulative returns have also been excellent when compared to the general capital markets. Since 1992, PERSI returns have exceeded every major capital market, and $1 dollar invested with the PERSI fund would now be worth $3.57, compared with $3.21 in US equities, $2.87 in bonds, and $2.45 in international equities. This outperformance has added over $1.2 billion dollars to total fund value over the past 15 years.



Another silver lining was that during the most severe "stress test" that a portfolio could encounter, PERSI had few, and even then, only very minor problems. Our liquidity remained secure at all times, our insistence on independent, third party daily pricing for our securities kept us out of the toxic and illiquid assets that plagued many institutions, and our avoidance of commingled funds - including custodial STIF funds - protected us from any "rush to the exits" behavior by other investors. Our non-participation in securities lending also kept us out of the problems fostered on most of the industry in that arena. Our avoidance of hedge funds, portable alpha, and the new asset classes of commodities and similar strategies allowed us to be spectators, and not participants, when much of the industry ran into both performance and liquidity problems (and headline risk with incidents such as the Madoff Ponzi scheme and the Westridge and other frauds causing severe publicity problems for some public funds in addition to the lost money).

Unlike the past where we have usually experienced poor peer returns when equities significantly underperform bonds, we also performed very well when compared with our peers over the past year. For example, using Callan's database (PERSI's general consultant), PERSI is well above median and generally well into the top quartile when compared over near and long term time horizons both against all public funds and also when compared with only large ($1 billion plus) pension funds:

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE
June 30, 2009
Percentile Rankings over Period
(1 is highest, 100 is lowest)

	1Yr	*3Yrs*	*5Yrs*	*10Yrs*	*Inception (9/92)*
Return (%)	**-16.0**	**-1.2**	**3.7**	**3.8**	**7.8**
Median Fund (%)	-18.1	-2.8	2.3	3.1	7.2
Median Large Fund (%)	-19.1	-2.8	2.3	3.1	7.3
PERSI Rank All Funds	**33**	**20**	**10**	**18**	**14**
Rank vs. Large Funds	**22**	**17**	**13**	**21**	**19**

In other words, our emphasis on being “simple, transparent, and focused” not only turned out to be the best risk control, but also led to better returns than that experienced by many of our peers. But, “better” is a relative term, and whether one is doing better than others is of faint comfort when everyone is down -16% or more for a year.

The year saw some reversals of roles in contributions to PERSI’s performance, both absolutely and relatively. For the first time this millennium, PERSI’s US only equity contributed substantially to relative outperformance, losing -20.3% compared to the Russell 3000’s loss of -26.6%. The US equity outperformance was due to private real estate and US equity only active manager outperformance (led by Donald Smith and Tukman). Global equities for the first time in many years both underperformed their benchmark and underperformed the US public equity market, with returns of -30.2% (compared to the MSCI World Index return of -29.2%). Bernstein Global was the primary driver of the relative underperformance. International equity outperformed EAFE by losing -27.3% compared to the index return of -31.0%. The comeback of emerging markets late in the fiscal year drove this result. And, fixed income had a great absolute year with returns of +4.1%, but a terrible relative year compared to the BC Aggregate return of 6.1%. Active manager underperformance (“led” by Western) and a very poor relative year for TIPS were the driving negative factors for this segment of the portfolio.

PERSI’s adherence to rebalancing in volatile times also was a major contributor to fiscal year relative returns. PERSI rebalances after major market moves, and did so in late October and early November, and again in early March. And, our rebalancing favored moving money to emerging markets and REITS. Both the decision to rebalance and the favoring of these areas added over 1% to total portfolio returns (0.7% from rebalancing to equities, and over 0.3% from favoring emerging markets and REITs in the rebalance).

U.S. only equity had a very good relative year, outperforming the Russell 3000 by 6.3%. The general U.S. equity market had one of its worst fiscal years ever, with a loss by the index of 26.6%. In comparison, PERSI lost only -20. 3%, and had a number of segments and managers that did much better (meaning lost a lot less) than the general markets. PERSI’s private real estate was down -7.7% for the year, with the Olympic/Cascade portion down -7.9%, and the Koll properties down -7.4%. The PRISA fund, our open-ended commingled fund, was down -27.3% for the year. Private equity slightly outperformed the public equity markets with a time-weighted loss of -24.1% for the year.

PERSI’s US only public equity managers had a stand-out year in relative returns. Donald Smith lost -10.6% for the year, 16.0% better than either the Russell 3000’s loss of -26.6% or the Russell 2000’s loss of -25.1%. Tukman, with losses of -14.9%, Peregrine, with a loss of -15.7%, and Mountain Pacific, with a loss of -18.1% all had standout relative performances. Only TCW Domestic, with a loss of -29.1%, and Adelante, with a loss of -47.5%, had below benchmark returns (REITs as an area lost more than -45% although with some recovery at the end of the year).

PERSI’s global managers had a disappointing year, both against benchmark and compared to US equity markets. The MSCI World Index was down -29.2% for the year, underperforming US markets by over -2.5%, and PERSI’s global managers collectively did even worse by losing -30.2%. Bernstein Global with a loss of -39.9% for the year had the worst of it. Baring’s equity, with a loss of -24.3% and Zesiger, with a loss of -27.0% beat their benchmark, while Capital Guardian (-28.9%) and Brandes (-30.1%) had close to benchmark returns. Fortis, who was terminated during the year because of personnel losses, had generally benchmark performance.

International equity, thanks to a late and spectacular run by the emerging markets, had a very good relative year, losing -27.3% compared to the MSCI EAFE loss of -31.0%. The MSCI emerging markets index was down -28.0% for the year, with Genesis substantially outperforming that index with returns of -23.0%, and Bernstein Emerging Markets underperforming with returns of -33.2%. Mondrian (-27.2%) had a relatively good year compared to the markets.

Fixed income did its general work in a disastrous capital market by retaining its value and actually making +4.1% for the fiscal year – unfortunately it could have done better. The general investment grade fixed income market, represented by the re-named Barclay's Aggregate Index, made 6.1% for the year. With liquidity and credit issues at the center of the "Great Collapse", government bonds did well, and everything else had a very rough year. PERSI's underperformance was due to credit exposures by all three of our active bond managers: (Barings with 4.7% returns, Fidelity (now terminated for other than performance reasons) at 2.4%, and Western at 0.4%). The TIPS market also had a very poor year, with the index actually down -1.1% over the fiscal year. Both of PERSI's TIPS exposures did better than the index, with the buy and hold portfolio losing -0.1%, and the Western active TIPS portfolio losing -0.5%, but our exposure to the area still hurt overall relative returns.

The mortgage backed security market and the Idaho mortgage programs were the standout areas of the portfolio, and the best performing segment of the entire portfolio. The Idaho Commercial Mortgage program made 11.0% for the year, far better than the general mortgage index of 8.8%. Although default rates in that program are near 0%, the real driver of the outperformance is our convention of pricing these mortgages off of the Treasury yield curve, which was the standout segment of the fixed income market for the year. Our mortgage backed securities managers both had good years with returns near the benchmark (DBF at +8.7% and Clearwater at +8.2%).

All in all as bad a year as PERSI has ever experienced since its founding in 1965. Given the near collapse and severe devastation wrought over the past year by the Great Collapse and its consequences, however, it was one of PERSI's best relative years ever. A little moderation on both counts over the next few years would be welcome.

ROBERT M. MAYNARD
Chief Investment Officer

For the numbers presented, the source of the above-disclosed data is the Mellon Analytic Solutions Reporting System.

INVESTMENT SUMMARY FOR THE YEAR ENDED JUNE 30, 2009

Types of Investment	Market Value		Percent of Total Market Value	
Short-term Investments		$361,869,430		4.0%
Fixed Income				
Domestic	2,111,301,654		23.5%	
International	34,058,097		0.4%	
Commercial Mortgages	431,915,613		4.8%	
Total Fixed Income		2,577,275,364		28.7%
Equity				
Domestic Equity	2,896,746,016		32.1%	
International Equity	2,045,062,149		22.8%	
Total Equity		4,941,808,165		55.0%
Private Equity		617,455,531		6.9%
Real Estate		485,331,385		5.4%
Total Base Plan Investments		$ 8,983,739,875		100.0%
Other Funds:				
Sick Leave Insurance Reserve Fund		$ 186,295,209		
Choice Plan 414(k)		50,452,055		
Choice Plan 401(k)		235,711,470		
Choice Plan Short-term Investments		655,896		
Total Investments in All Funds		$ 9,456,854,505		

Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2009

Adelante Capital Management	$171,825,276	
Advent International, LP	4,420,050	
Apollo Management, LP	36,359,559	
Baring Asset Management-Global Equity	275,860,189	
Baring Asset Management-Global Fixed Income	146,683,154	
Bernstein-Emerging Markets	402,409,620	
Bernstein-Global Equity	229,803,045	
Blackstone Capital Partners, LP	21,438,627	
Brandes Investment Partners	369,471,959	
Brandes International Equity Fund - Choice Plan	6,424,651	
Bridgepoint Cap LTD	23,511,900	
Calvert SI Balance Fund - Choice Plan	270,637	
Capital Guardian	285,971,810	
Cascade	93,531,458	
Cerberus Investment Partners	24,350,398	
Chisholm Management, LP	16,665,798	
Clearwater Advisors, LLC-TBAs	116,355,734	
Clearwater Advisors, LLC-Fixed Income	79,390,289	
CVC European Equity	34,811,139	
D.B. Fitzpatrick & Co.-Fixed Income	50,744,746	
D.B. Fitzpatrick & Co.-Idaho Mortgages	444,935,295	
Dodge and Cox Income Fund - Choice Plan	4,897,334	
Donald Smith & Co.	170,632,932	
Enhanced Equity, LP	27,304,251	
Epic Venture Fund	2,109,722	
First Reserve Fund XI	35,699,469	
Frazier Technology Ventures II, LP	10,366,749	
Furman Selz Investments, LP	7,158,008	
Galen Associates, LP	35,824,102	
Genesis Asset Managers	439,310,458	
Goense Bounds & Partners, LP	3,869,189	
Gores Capital Partners, LLP	22,004,598	
Green Equity Investors IV, LP	22,799,089	
Hamilton Lane Co - Investment Fund, LP	27,962,126	
Hamilton Lane Secondary Fund, LP	14,976,764	
Harvest Partners III, LP	710,557	
Highway 12 Ventures, LP	18,193,154	
Ida-West	3,275,000	
JH Whitney & Co, LLC	21,471,747	
KKR 2006 Fund, LP	21,448,202	
Kohlberg & Co.	32,347,790	
Koll Partners, LLP	351,555,467	(Continued)

Lindsay Goldberg & Bessemer	32,898,696
Littlejohn, LP	7,669,046
McCown DeLeeuw & Co. IV, LP	887,547
Mellon Aggregate Bond Index - Choice Plan	5,108,507
Mellon Capital Management-R2000 Small Cap	76,485,349
Mellon Capital Management-S&P 500 Large Cap	870,652,112
Mellon Capital Management-Mid Cap Completion	112,964,205
Mellon Capital Management-International Stock Index	538,822,519
Mellon International EAFE Fund - Choice Plan	2,275,560
Mellon S&P 500 - Choice Plan	4,916,891
Mellon Transition Management Services	691,917
Mellon Wilshire 4500 - Choice Plan	2,480,141
Mellon Wilshire 5000 - Choice Plan	1,504,546
Mondrian Investment Partners	231,508,724
Mountain Pacific Investment Advisors	227,863,685
Newbridge Asia, LP	20,775,287
Oaktree Capital Management, LLC	1,327,021
Olympic IDA Fund II, LLC	109,614,512
Pareto Partners	(6,143,667)
Peregrine Capital Management	140,352,301
PERSI Cash in Short-Term Investment Pool	11,867,123
PERSI Choice Plan Contribution Holding Account	655,896
PERSI Choice Plan Loan Fund	3,214,047
Private Debt	20,180,971
Providence Equity Partners, LLP	55,955,926
Prudential Investments	36,543,479
Rowe Price Small Cap Fund - Choice Plan	4,669,838
SEI Stable Asset Fund - Choice Plan	19,370,183
State Street Global Advisors-Fixed Income	548,050,355
State Street Global Advisors-TIPS	735,920,469
State Street Global Advisors-Sick Leave Insurance Reserve	186,295,209
TALF Investment Fund, LLC	5,002,145
T3 Partners, LP	37,189,965
TCW Domestic	134,829,792
Thomas H. Lee, LP	64,224
Tukman Capital Management	253,801,201
Vanguard Growth & Income Fund - Choice Plan	5,336,292
W. Capital Partners, LP	7,425,335
Western Asset Management	118,640,591
Western Asset-TIPS	302,022,853
Zesiger Capital Group	329,439,133
Zesiger Capital Group-Private Equity	14,187,119
Total Market Value, Including Investment Receivables and Payables	$9,322,469,087
Add: Investments Purchased Payable	1,127,886,499
Less: Investments Sold Receivable	(956,187,923)
Less: Interest and Dividends Receivable	(37,313,158)
Total Market Value, Net of Investment Receivables and Payables	$9,456,854,505

(Concluded)

Investment Results

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	FISCAL	1 YR.	3 YRS. *	5 YRS. *
U.S. EQUITY						
MELLON CAPITAL MANAGEMENT MID CAP	113.0	1.2%	(29.5)	(29.5)	(7.7)	0.7
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	76.5	0.8%	(25.6)	(25.6)	(10.1)	(1.9)
MELLON CAPITAL MANAGEMENT S&P 500 LARGE CAP	870.7	9.6%	(26.6)	(26.6)	(8.1)	(2.2)
MOUNTAIN PACIFIC	227.9	2.5%	(18.1)	(18.1)	(4.2)	1.2
TUKMAN GROSSMAN CAPITAL MGMT	253.8	2.8%	(14.9)	(14.9)	(3.6)	(2.3)
TCW	134.8	1.5%	(29.1)	(29.1)	(9.0)	(2.6)
DONALD SMITH & CO.	170.6	1.9%	(10.6)	(10.6)	(6.7)	1.6
PEREGRINE	140.4	1.5%	(15.7)	(15.7)	(4.9)	
TOTAL U.S. PUBLICLY TRADED EQUITY	1,987.6	21.9%	(20.6)	(20.6)	(6.3)	(0.8)
BENCHMARK - Russell 3000			(26.6)	(26.6)	(8.3)	(1.8)
PRIVATE EQUITY						
IDA-WEST	3.3	0.0%	19.8	19.8	19.2	23.3
GALEN III	35.8	0.4%	(16.6)	(16.6)	10.1	2.6
HARVEST PARTNERS	0.7	0.0%	(8.4)	(8.4)	(53.2)	(39.1)
FURMAN SELZ	7.2	0.1%	(33.3)	(33.3)	14.8	26.6
MCCOWN DE LEEUW	0.9	0.0%	(26.5)	(26.5)	(8.6)	(58.6)
PROVIDENCE EQ PARTNERS	56.0	0.6%	(25.8)	(25.8)	3.6	17.5
CHISOLM PARTNERS	16.7	0.2%	(13.6)	(13.6)	5.0	11.5
LITTLEJOHN II L.P.	7.7	0.1%	(7.4)	(7.4)	13.9	31.8
OAKTREE CAP	1.3	0.0%	(1.8)	(1.8)	53.0	33.4
GOENSE BOUNDS	3.9	0.0%	(40.6)	(40.6)	(10.9)	0.3
HWY 12 FD VENTURE LP	18.2	0.2%	(21.9)	(21.9)	(15.2)	(7.0)
T3 PARTNERS II L.P.	37.2	0.4%	(39.8)	(39.8)	(4.3)	12.9
THOMAS LEE L.P.	0.1	0.0%	(81.9)	(81.9)	(71.7)	(51.0)
APOLLO MGMT LP	36.4	0.4%	(46.7)	(46.7)	6.4	26.0
GREEN EQUITY IV L.P.	22.8	0.3%	(18.6)	(18.6)	(3.2)	5.3
GORES CAPITAL AD LLC	22.0	0.2%	2.6	2.6	17.0	8.6
W CAPITAL PARTNERS	7.4	0.1%	(24.3)	(24.3)	(9.3)	(5.6)
FRAZIER TECH VENTURES II	10.4	0.1%	(21.4)	(21.4)	0.3	(3.2)
KOHLBERG & CO.	32.3	0.4%	(11.1)	(11.1)	5.3	
HAMILTON SECONDARY	15.0	0.2%	(6.9)	(6.9)	7.2	
CVC EUROPEAN EQUITY	34.8	0.4%	(32.5)	(32.5)	16.4	
HAMILTON LANE CO-INVESTMENT FUND	28.0	0.3%	(36.9)	(36.9)	(10.2)	
BRIDGEPOINT EUROPE III	23.5	0.3%	(29.1)	(29.1)	(4.0)	
NEWBRIDGE ASIA LP	20.8	0.2%	(27.5)	(27.5)	0.9	
JH WHITNEY EQUITY PARTNERS IV	21.5	0.2%	(8.5)	(8.5)	5.0	
BLACKSTONE CAPITAL PARTNERS	21.4	0.2%	(34.3)	(34.3)	(12.0)	
ENHANCED EQUITY FUND LP	27.3	0.3%	(5.4)	(5.4)	(3.8)	
LINDSEY, GOLDBERG, BESSEMER	32.9	0.4%	0.7	0.7		
KKR 2006 FUND	21.4	0.2%	(28.5)	(28.5)		
FIRST RESERVE FUND XI	35.7	0.4%	(18.6)	(18.6)		
CERBERUS INST PARTNERS	24.4	0.3%	(21.4)	(21.4)		
EPIC VENTURE FUND	2.1	0.0%	(11.4)	(11.4)		
ADVENT INTERNATIONAL**	4.4	0.0%	(30.1)	(30.1)		
ZESIGER CAPITAL GROUP	14.2	0.2%	(15.7)	(15.7)	(4.5)	0.9
TOTAL PRIVATE EQUITY	647.5	7.1%	(24.0)	(24.0)	1.1	8.9
REAL ESTATE						
KOLL PARTNERS	351.6	3.9%	(7.4)	(7.4)	5.7	4.9
OLYMPIC IDA FUND II	109.6	1.2%	(7.8)	(7.8)	6.8	
CASCADE	93.5	1.0%	3.8	3.8		
ADELANTE	171.8	1.9%	(47.5)	(47.5)	(22.1)	(4.3)
PRUDENTIAL	36.5	0.4%	(27.3)	(27.3)	(1.3)	6.7
TOTAL R/E MANAGERS	763.1	8.4%	(16.8)	(16.8)	(0.7)	9.1
BENCHMARK - NCREIF			(19.6)	(19.6)	1.0	7.6
TOTAL U.S. EQUITY	**3,398.1**	**37.3%**	(20.3)	(20.3)	(4.1)	1.6
BENCHMARK - Russell 3000			(26.6)	(26.6)	(8.3)	(1.8)
GLOBAL EQUITY						
BARING ASSET MANAGEMENT	275.9	3.0%	(24.3)	(24.3)	(1.2)	3.9
BRANDES INVST PARTNERS	369.5	4.1%	(30.1)	(30.1)	(11.3)	(2.0)
CAPITAL GUARDIAN	286.0	3.2%	(28.9)	(28.9)	(7.7)	0.1
ZESIGER CAPITAL GROUP	329.4	3.6%	(27.0)	(27.0)	(4.4)	5.7
BERNSTEIN GLOBAL	229.8	2.5%	(39.9)	(39.9)	(14.2)	(1.4)
FORTIS INVESTMENTS[1]	0.7	0.0%	(34.5)	(34.5)		
TOTAL GLOBAL EQUITY	**1,491.2**	**16.4%**	(30.2)	(30.2)	(7.7)	1.2
TOTAL U.S./GLOBAL EQUITY	**4,889.3**	**53.8%**	(24.4)	(24.4)	(5.6)	1.2
BENCHMARK - Russell 3000			(26.6)	(26.6)	(8.3)	(1.8)

Continued

Investment Results

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending FISCAL	1 YR.	3 YRS. *	5 YRS. *
INTERNATIONAL EQUITY						
GENESIS INVESTMENTS	439.3	4.8%	(23.0)	(23.0)	4.1	16.3
MELLON CAPITAL MANAGEMENT INTL STK INDX	538.8	5.9%	(30.9)	(30.9)	(7.8)	2.4
MONDRIAN	231.5	2.6%	(27.2)	(27.2)	(5.5)	4.7
BERNSTEIN EMERGING	402.4	4.4%	(33.2)	(33.2)	(0.2)	14.6
TOTAL INTERNATIONAL EQUITY	**1,612.1**	**17.8%**	(27.3)	(27.3)	(2.4)	7.3
TOTAL INT'L EQUITY (HEDGED)[2]	**1,605.9**	**17.7%**	(27.3)	(27.3)	(2.5)	7.1
EAFE INDEX NET			(31.0)	(31.0)	(7.5)	2.8
TOTAL EQUITY	**6,495.2**	**71.5%**	(24.6)	(24.6)	(4.8)	2.6
BENCHMARK - Russell 3000			(26.6)	(26.6)	(8.3)	(1.8)
U.S. FIXED INCOME						
DBF & CO FIXED	50.7	0.6%	8.7	8.7	7.5	5.7
DBF & CO-IDAHO MTGS	444.9	4.9%	11.0	11.0	10.9	7.8
STATE ST ADV-FX	548.1	6.0%	6.2	6.2	6.6	5.1
SSGA-TIPS	735.9	8.1%	(0.1)	(0.1)	5.8	5.2
CLEARWATER-TBA	116.4	1.3%	8.2	8.2	7.2	5.5
CLEARWATER TALF INVESTMENT**	5.0	0.1%	0.0	0.0	0.0	0.0
PRIVATE DEBT	20.2	0.2%	8.7	8.7		
TOTAL U.S. FIXED INCOME	**1,921.2**	**21.2%**	5.1	5.1	7.1	5.7
GLOBAL FIXED INCOME						
BARING ASSET MANAGEMENT	146.7	1.6%	4.7	4.7	6.9	5.4
PYRAMIS/CLEARWATER[3]	79.4	0.9%	3.0	3.0	4.3	
WESTERN ASSET	118.6	1.3%	0.4	0.4	2.9	
WESTERN TIPS	302.0	3.3%	(0.5)	(0.5)		
TOTAL GLOBAL FIXED INCOME	**646.7**	**7.1%**	2.8	2.8	4.5	4.2
TOTAL FIXED INCOME	**2,567.9**	**29.5%**	4.1	4.1	6.4	5.3
BENCHMARK - BC Aggregate Bonds			6.0	6.0	6.4	5.0
OTHER						
UNALLOCATED CASH	11.9	0.1%	9.5	9.5	11.4	9.7
MELLON TRANSITION MANAGEMENT SERVICES	0.0	0.0%	1,120.3	1,120.3	284.7	271.0
TOTAL OTHER	**11.9**					
COMBINED TOTAL	**9,075.0**	**100.0%**	(16.0)	(16.0)	(1.2)	3.7
BENCHMARK - 55% Russell 3000 30% BC Aggregate Bonds 15% MSCI EAFE Index			(18.0)	(18.0)	(3.6)	1.1

Add: Other PERSI DC Choice Plan Investments[4]	61.1
Sick Leave Investments	186.3
Investments Purchased	1,127.9
Less: Interest and Dividends Receivable	(37.3)
Investments Sold	(956.2)
Total Pension Fund Investments Net of Receivables	9,456.8

Concluded

*Rates of Return are annualized
[1]Terminated 6/09
[2]Includes Pareto Partners currency overlay account
[3]Pyramis terminated 04/09
[4] Total Return Fund included in investment results
**accounts opened less than one year

Prepared using a time weighted rate of return per
Mellon Analytic Solutions, a division of BNY Mellon Asset Servicing

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
2004	$105,106,092	$ 99,565,950	$ 1,005,291,439	$ 1,209,963,481
2005	108,964,781	121,363,908	622,839,336	853,168,025
2006	128,071,925	135,998,068	804,450,498	1,068,520,491
2007	152,332,222	150,190,103	1,660,923,284	1,963,445,609
2008	156,095,102	171,450,414	(840,652,088)	(513,106,573)
2009	130,825,841	135,561,686	(2,044,562,509)	(1,778,174,982)

* Includes realized and unrealized gains and losses and other investment income

Largest Bond Holdings (by Market Value) June 30, 2009

Par	Bonds	Description	Market Value
230,735,152	US TREASURY INFLATION INDEX BOND	3.875% 04/15/2029 DD 04/15/99	$ 292,745,224
194,371,290	US TREASURY INFLATION INDEX BOND	2.000% 01/15/2026 DD 01/15/06	190,301,544
116,195,040	US TREASURY INFLATION INDEX BOND	2.500% 01/15/2029 DD 01/15/09	123,457,230
113,612,928	US TREASURY INFLATION INDEX NOTE	2.125% 01/15/2019 DD 01/15/09	117,340,795
31,983,281	US TREASURY INFLATION INDEX BOND	3.375% 04/15/2032 DD 10/15/01	40,139,018
31,276,851	US TREASURY INFLATION INDEX BOND	2.375% 01/15/2025 DD 07/15/04	32,146,722
28,850,000	COMMIT TO PURCHASE FNMA SF MTG	5.500% 08/01/2038 DD 08/01/08	29,670,436
25,138,386	US TREASURY INFLATION INDEX NOTE	2.000% 01/15/2016 DD 01/15/06	25,515,462
24,397,022	US TREASURY INFLATION INDEX NOTE	2.000% 01/15/2014 DD 01/15/04	24,953,567
24,756,574	US TREASURY INFLATION INDEX NOTE	1.625% 01/15/2015 DD 01/15/05	24,640,515

Largest Stock Holdings (by Market Value) June 30, 2009

Shares	Stock	Market Value
2,254,973	MICROSOFT CORP COM	53,600,708
284,932	GOLDMAN SACHS GROUP INC COM	42,010,374
396,973	IBM CORP COM	41,451,921
580,414	EXXON MOBIL CORP	40,576,743
647,837	JOHNSON & JOHNSON COM	36,797,142
697,217	PROCTER & GAMBLE CO COM	35,627,789
718,060	WAL MART STORES INC COM	34,782,826
1,376,659	AT & T INC COM	34,196,210
631,989	COCA COLA CO COM	30,329,152
1,865,632	PFIZER INC COM STK USD0.05	27,984,480

A complete list of portfolio managers' holdings is available upon request.

Schedule of Fees and Commissions for the Year Ended June 30, 2009

Broker Name	Base Commission	Total Shares	Commission per Share
GOLDMAN SACHS & CO, NY	$177,214	12,830,827	0.01381
UBS EQUITIES, LONDON	151,010	90,813,881	0.00166
UBS SECURITIES LLC, STAMFORD	144,790	8,669,814	0.01670
CITIGROUP GBL MKTS INC, NEW YORK	141,667	7,782,975	0.01820
MERRILL LYNCH PIERCE FENNER SMITH INC NY	140,821	5,018,363	0.02806
INSTINET CORP, NY	140,069	3,644,027	0.03844
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	123,120	16,869,677	0.00730
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	122,502	7,012,035	0.01747
MORGAN J P SECS INC, NEW YORK	120,778	7,142,473	0.01691
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	117,016	31,884,614	0.00367
MORGAN STANLEY & CO INC, NY	117,008	11,254,755	0.01040
JEFFERIES & CO INC, NEW YORK	114,529	3,059,128	0.03744
CREDIT SUISSE (EUROPE), LONDON	110,174	27,593,689	0.00399
ITG INC, NEW YORK	107,634	10,805,449	0.00996
PERSHING LLC, JERSEY CITY	106,491	13,483,456	0.00790
MERRILL LYNCH PIERCE FENNER, WILMINGTON	99,098	16,808,968	0.00590
CITIGROUP GBL MKTS/SALOMON, NEW YORK	96,713	29,719,571	0.00325
DEUTSCHE BK SECS INC, NY (NWSCUS33)	92,251	5,639,479	0.01636
CITIGROUP GLOBAL MARKETS LTD, LONDON	82,035	19,994,907	0.00410
CITATION GROUP, NY	77,514	3,906,722	0.01984
BNY CONVERGEX, NEW YORK	73,019	4,615,640	0.01582
BERNSTEIN SANFORD C & CO, NEW YORK	70,217	3,365,643	0.02086
MACQUARIE SECURITIES LIMITED, HONG KONG	65,367	35,349,126	0.00185
ITG (EUROPE) LTD, DUBLIN	63,442	10,063,425	0.00630
MERRILL LYNCH INTL LONDON EQUITIES	56,494	5,423,169	0.01042
JOHNSON RICE & CO, NEW ORLEANS	52,906	1,062,127	0.04981
J P MORGAN SECS LTD, LONDON	47,039	6,817,560	0.00690
JP MORGAN SECS ASIA PACIFIC, HONG KONG	46,407	34,878,020	0.00133
BANC OF AMERICA SECS LLC, CHARLOTTE	45,712	1,181,225	0.03870
INSTINET EUROPE LIMITED, LONDON	45,088	4,271,782	0.01055
WEEDEN & CO, NEW YORK	45,076	1,584,080	0.02846
LIQUIDNET INC, BROOKLYN	42,688	2,113,666	0.02020
BAIRD, ROBERT W & CO INC, MILWAUKEE	40,306	970,505	0.04153
CANTOR FITZGERALD & CO INC, NEW YORK	39,596	2,497,486	0.01585
BARCLAYS CAPITAL LE, JERSEY CITY	39,312	1,751,816	0.02244
GREEN STREET ADVISORS, JERSEY CITY	38,595	857,655	0.04500
ABEL NOSER CORP, NEW YORK	36,258	1,402,500	0.02585
INVESTMENT TECHNOLOGY GROUP, NEW YORK	35,742	1,882,827	0.01898
LEHMAN BROS INC, NEW YORK	35,440	1,094,818	0.03237
Other Brokers Under $35,000	1,788,729	297,097,349	0.00602
TOTAL BROKER COMMISSIONS	$5,089,870	752,215,229	0.00677

A complete list of broker commissions is available from PERSI upon request. PERSI does not require that investment managers use specific brokers.

Schedule of Fees and Commissions for the Year Ended June 30, 2009

Investment Fees	Average Assets Under Management	Fees	Basis Points
Investment Manager Fees			
Equity Managers	$ 4,715,645,663	$ 20,335,190	43
Fixed Income Managers	2,813,243,779	2,897,260	10
Private Equity Managers	736,459,656	8,276,322	112
Real Estate Managers	747,766,109	4,407,198	59
Total Average Assets	$ 9,013,115,208		
Total Investment Manager Fees		35,915,970	40
Other Investment Service Fees			
Custodian/Record Keeping Fees		3,685,421	
Investment Consultant Fees		678,713	
Legal Fees		372,565	
Actuary/Audit Service Fees		253,682	
Total Investment Service Fees		4,990,382	6
Total Defined Benefit Plans Fees		40,906,352	45
Total Defined Contribution Plans' Fees		266,896	
Total Other Trust Funds' Fees		90,063	
Total Fees		$ 41,263,311	

Note: Broker Fees are Included on a Separate Schedule

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

I. Introduction
The Retirement Board ("Board") of the Public Employee Retirement System of Idaho ("System") hereby establishes its Statement of Investment Policy for the investment of the trust funds ("Trust") in accord with Idaho Code Chapter 13, Title 59.

II. Statutory Requirements
The investment of the Trust will be in accord with all applicable laws of the state of Idaho.

A. Sole Interest of Beneficiaries
Investments will be solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries and defraying reasonable expenses of administration.

B. Prudent Investments
Investments will be made with the judgment and care under the circumstances then prevailing, which people of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable outcome as well as the probable safety of their capital. Investments will be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

C. Fiduciary Duties
The Board and its agents, including staff, consultants, and investment managers, will discharge their duties with respect to the fund solely in the interest of the members and retired employees, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

III. Investment Goals
A. General Objective

1. Purpose
The purpose of the investment of Trust assets is to provide funds to meet the obligations of the Public Employee Retirement System of Idaho (PERSI) while incurring the appropriate amount of risk consistent with attaining that goal. The Board will invest the assets of the Trust so as to meet the projected obligations of the System, and will reduce risk through diversification of the assets of the Trust.

2. Considerations
In determining the returns needed by the system, the acceptable risk levels, and the allowable investments, the Board will consider:

* the effect of particular investments on the total portfolio,
* the purpose of the plan,
* the diversification of the portfolio,
* liquidity needs and the current return relative to the anticipated cash flow requirements, and
* the projected return of the portfolio as it relates to the funding objectives of the plan.

B. Specific PERSI return and risk objectives

1. Investment Returns

(a) Actuarial Assumptions

In projecting obligations and the returns needed to meet those obligations, the Board will consider studies performed by actuaries hired by the Board. The actuary uses an investment return assumption of 7.75% before fees and expenses in balancing projected obligations, projected contributions, and projected returns on assets. [The return assumption after fees of administering the system and its investments is 7.25%]. Assuming all of the actuarial assumptions are accurate, this 7.75% return will suffice to: (1) assure the payment of statutorily required benefits, which includes a 1% Cost of Living Adjustment (COLA); and (2) maintain the reduction of the level of the unfunded liability (if any) on the scheduled amortization (one year at a time). The assumed 7.75% return will not be sufficient to fund either discretionary COLAs (2-6%), retroactive COLAs, accelerate the amortization of the unfunded liability, build a stabilization reserve, or allow for gain-sharing distributions.

(b) Inflation and Salary Assumptions

This 7.75% rate before fees and 7.25% rate net of fees assumes an inflation rate of 3.75% and an annual general state salary growth of 4.50%. To the extent that either inflation or salary growth are higher or lower than these rates, then the investment returns needed will also be higher or lower than the assumed 7.75% [7.25% net], although not on a 1:1 ratio. Consequently, the investment returns actually needed by the system do not have a nominal rate which can be determined with precision in advance -- the 7.75% gross rate currently used by the actuary is only a general midpoint accurate over long (15-20) year periods and is only as accurate as are the inflation, salary, and other actuarial assumptions as set out in the annual actuarial study reviewed annually by the Board.

(c) Relation to Funding Policy

As set out in the Board's funding policy, to the extent investment markets allow, it is the desire of the Board to provide discretionary COLAs, accelerate the amortization of any unfunded liability, and provide for gain-sharing. It is also the goal of the Board to maintain a reasonable amortization of any unfunded liability, and not to exceed the 25 year amortization period set by statute. Therefore, it is the goal of the Board to set an expected rate of return above the actuarially assumed return so that (1) discretionary COLAs will have a reasonable chance of being consistently funded and (2) the scheduled amortization of any unfunded liability is not unreasonably jeopardized. Returns above that amount will be used to build a stabilization reserve and to distribute to the System participants through gain-sharing.

(d) Periodic Specific Return Goals

Because of the inflation sensitivity of both the returns needed by the system and the size of annual COLAs, an exact target return (either real or nominal) cannot be set in advance. Nonetheless, under most reasonable actuarial assumptions, PERSI has a relatively stable real return goal of between 4.75% - 5.25% if consistent funding of discretionary COLAs and providing for gain sharing is included as an objective. Consequently, specific return goals for upcoming periods will be set out in the strategic asset allocations periodically adopted by the Board.

2. Investment Risk and Strategic Asset Allocations

(a) Diversification Among Asset Classes

In controlling the risk level that is appropriate for the Trust, the Board will diversify the assets of the Trust among various asset classes as the Board may from time to time adopt as appropriate asset classes. The specific asset classes to be used will be set in conjunction with the strategic asset allocation adopted from time to time by the Board.

(b) Review of Asset Classes and Asset Allocation

In setting strategic allocations, the Board will focus on assuring that the expected long-term returns will meet expected long-term obligations with the appropriate level of risk sufficient to meet those objectives. The Board will at least once every four years determine the appropriate asset classes for the investment of Trust assets and conduct asset allocation studies to help determine the long term strategic allocations among desired asset classes so as to meet long-term return objectives with the appropriate level of risk.

(c) Content of Strategic Asset Allocations

The strategic asset allocation will set out the asset classes to be used, the long-term strategic “normal” percentage of assets to be invested in each asset class, the short to intermediate term ranges that will be considered allowable temporary deviations from the strategic normal allocation, the investment risk and return expectations for each asset class, the numerical investment return and risk expected to be realized, and the relation of the expected investment return to the real and actuarially assumed investment return.

(d) Strategic Policies

In addition to asset allocation, the Board may from time to time adopt strategic policies. “Strategic policies” are actions by the Board to invest in asset types that have not been singled out as “asset classes” in the asset allocation process, to overweight particular sectors within an asset class, or to employ particular strategies in the investment of Trust assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk.

IV. Investment Structure

A. Overall Structure

In making individual investment policy decisions, the Board will have as an overall goal a flexible, simplified structure with clear roles and accountability.

1. Board Ultimately Responsible

The Board is ultimately responsible for all investment activities. In exercising this responsibility, the Board will hire investment personnel and agents and delegate various investment functions to those personnel and agents. Where the Board does not delegate investment powers or duties, the Board will either satisfy itself that it is familiar with such matters, or will retain persons who are familiar with such matters to consult or assist the Board in the exercise of those responsibilities. Where the Board delegates a responsibility, it will be delegated to a person who is familiar with such matters, and the Board will monitor and review the actions of those to whom responsibilities are delegated.

2. General Roles and Responsibilities of Board and Agents

The Board will favor a structure that accommodates a citizen Board and a small staff. The Board and staff will concentrate their activities on:

* making strategic decisions, primarily concerning asset allocation and strategic policies;
* adjusting the mix between passive and active managers depending on, among other considerations, near-term concerns regarding the U.S. and other capital markets; and
* delegating and monitoring all other activities, including hiring and monitoring investment managers

The Board will rely on outside agents, and primarily investment managers, to be responsible for non-strategic decisions. This responsibility includes those investment decisions with shorter-term consequences such as the best near-term securities, regions, asset types, or asset classes.

B. Direct (Non-Delegated) Responsibilities of the Board

1. Specific Responsibilities

The Board will be directly responsible for

* Setting investment policy,
* Determining the investment structure of the Trust,
* Determining the asset classes to be utilized,
* Setting the strategic asset allocation,
* Determining strategic policies;
* Hiring agents to implement the strategic asset allocation;
* Hiring agents to implement strategic policies; and
* Monitoring the compliance of those agents with the investment policies and strategic allocations determined by the Board.

2. Delegation and Monitoring of Specific Investment Activities

The Board will normally delegate investment decisions concerning specific securities or assets, or the tactical allocations of assets among asset types, to outside agents. The Board will retain direct responsibility for the monitoring of the activities of those agents through periodic reports from its staff or consultants. The Board may choose to exercise direct investment responsibility if unusual market conditions or other circumstances so indicate.

C. Employees, Consultants, and Advisors to the Board

1. Investment Staff

(a) Duties of Chief Investment Officer and Other Staff

The Board will hire a Chief Investment Officer and such other staff as it considers appropriate who will be generally responsible for the oversight of the investment of Trust assets, and, as part of that overall responsibility, will: (1) supervise, monitor, and evaluate the performance of the investment managers hired by the Board to assure compliance with investment policy and individual guidelines; (2) assist the Board in developing and adjusting investment policy, including reviewing and modifying the asset allocation as conditions warrant; (3) research current market conditions, evaluate new products, and seek out new approaches to improve portfolio return, reduce risk, and reduce costs and fees; (4) work with the consultants, custodians, investment managers, and other agents in the performance of their assigned duties; and (5) assist the Board with education and other efforts to promote good decision making. Except in special circumstances, PERSI staff will not be responsible for the investment, purchase, or sale of specific assets.

(b) Allocation of New Net Contributions

The Chief Investment Officer shall allocate new net contributions to or withdraw net distributions from the system among investment managers in accordance with the strategic and tactical ranges established by the Board in the strategic asset allocation. The Chief Investment Officer shall report to the Board regularly on the allocation of new net contributions or the withdrawal of net distributions.

(**c) Tactical Asset Allocation**

With prior notice to the Board, the Chief Investment Officer may shift assets among managers (including between passive and active managers) as long as the asset allocation is maintained within the strategic ranges. If conditions do not permit giving prior Board notice, the Chief Investment Officer is authorized to move assets among investment managers within the strategic ranges established by the Board. If such action is taken, the Chief Investment Officer shall notify the Chairman of the Board as soon as is practical either that action is contemplated or has been taken, as circumstances warrant.

(d) Minimum Qualifications of Chief Investment Officer

The Chief Investment Officer shall at least: (a) have a graduate degree in finance, law, or business administration or (b) be a Chartered Financial Analyst; or (c) have three or more years experience in the investment of trust assets.

2. Actuaries

The Board will hire an actuary to provide studies that will: (1) determine the long term obligations faced by the System through annual actuarial valuations, (2) set out return objectives or assumptions that will be sufficient to meet those obligations; and (3) provide reviews at least once every four years of the actuarial valuation process, including updating the projections and assumptions in light of the experience of the System. The Board will set its long-term return objectives after considering information provided by those studies.

3. Investment Consultants

The Board will hire a qualified independent consultant, whose relationship does not impose a conflict of interest with the Board or staff, to provide investment performance measurement at least quarterly with the report available to the Board within three months of the quarter end. The report will at least compare actual investment returns of the system -- in total, by each asset class, and for each managed portfolio -- with both the investment objectives of the system and a composite of returns of other institutional investors. The Board may hire other independent investment consultants as needed to assist the Board in the management of its investment activities, including, but not limited to: (1) performing asset allocation studies, and reviewing and recommending modifications of the asset allocation as conditions warrant; (2) assisting in monitoring the investment managers to assure they are in compliance with the investment policy and their individual guidelines; (3) performing manager evaluations and searches as may be necessary; and (4) assisting in the development and adjustment of investment policy. Except for consultants retained solely for purposes of performance measurement, consultants will be fiduciaries of the Trust.

D. Managers or Agents with Delegated Responsibilities

1. Custodian

(a) Responsibilities

The Board will hire custodians and other agents who will be fiduciaries of the Trust and who will assume full responsibility for the safekeeping and accounting of all assets held on behalf of the Trust. Among other duties as may be agreed to, the custodian will be responsible for: (a) the receipt, delivery, and safekeeping of securities; (b) the transfer, exchange, or redelivery of securities; (c) the claiming, receipt, and deposit of all dividend, interest, and other corporate actions due the Trust; (d) the daily sweep of all uninvested funds into a cash management account or accounts; and, (e) the provision of reports to PERSI upon agreed time intervals that will include all purchases and sales of securities, all dividend declarations on securities held by the Trust, a list of securities held by the Trust, and a cash statement of all transactions for the account of the Trust.

(b) Authorization of Collective Investment Trusts

Assets of the Trust may be invested in any collective investment trust, which at the time of the investment provides for the pooling of the assets of plans described in Section 401(a) of the Internal Revenue Code of 1986, as amended, and which is exempt from Federal income tax. Assets of the Trust may be commingled with assets of other trusts if invested in any collective investment trust authorized by this policy. The provisions of the trust agreement, as amended by the trustee thereof from time to time, of each collective investment trust in which Trust assets are invested are by this reference incorporated as a part of the trust estate comprising the Trust. The provisions of the collective investment trust will govern any investment of Trust assets in that trust.

2. Investment Managers

The Board will hire investment managers who will be fiduciaries of the Trust and who will be responsible for the investment of Trust assets in specific securities or assets within or among the asset classes.

(a) Minimum Qualifications

Investment managers shall be registered with the Securities and Exchange Commission (unless they are banks, insurance companies, or other category exempted from such registration requirements), have been in the business of investment management at least two years (or the main personnel of the investment management firm have worked together in the business of investment management for at least two years), and, usually, have other United States pension fund assets under management.

(b) Guidelines

Investment Managers shall manage assets in accordance with additional guidelines established by contract and as may be added to or modified from time to time. The additional guidelines will contain minimum diversification requirements that must be followed by that manager. These guidelines will also set out the investment return expected to be achieved by that manager, and shall be linked to a benchmark that represents the passive index fund that would be used to replicate the manager's assignment.

(c) Responsibilities and Discretion

Subject to the restrictions set out in this policy or as may be set out in individual contracts or guidelines, an investment manager shall have full discretionary power to direct the investment, exchange, and liquidation of the assets entrusted to that manager. The manager shall place orders to buy and sell securities and, by notice to the custodian, cause the custodian to deliver and receive securities on behalf of the Trust.

(d) Corporate Governance

The Board, unless otherwise stated, will delegate the voting of proxies to the investment manager or custodian. The Board will adopt and from time to time modify a proxy voting policy. The staff will forward PERSI's Proxy Voting Policy to investment managers; however the investment managers have discretion to vote proxies according to their respective proxy voting policies, provided they vote those proxies in the best interest of our Fund.

(e) Transactions and Brokerage

All securities transactions shall be executed by reputable broker/dealers or banks, and shall be on a best price and best execution basis.

3. Use of Passive and Active Managers

(a) Purpose and Use of Active Management

The Board recognizes that passive (index fund) investing has lower costs than active investing, with regard to both management fees and transaction costs. Further, the Board also recognizes that there is uncertainty concerning whether active investing can generally outperform passive investing, particularly in the large, liquid, and efficient portions of the capital markets. Also, the Board has great confidence that a passive investment of assets in an efficient asset allocation will likely meet long-term (20 year) obligations.

Contribution rates, COLAs, and the ability to provide for gain-sharing, however, are based on 1-5 year returns. The Board does have concern that over 1-5 year periods the ability consistently to fund COLAs and to keep contribution rates stable are in considerable jeopardy from two sources: (1) expected "normal" market fluctuations are such that annual returns will likely not meet hurdle rates approximately 40% of the time, with actual negative returns to be expected once every six years; and (2) that most of

Trust assets under the strategic asset allocation will be invested in U.S. capital markets, and are thus vulnerable to poor U.S. returns.

One purpose of active management of Trust assets is to address these two concerns. Active managers will be hired for the purpose of providing greater stability of returns, and better returns, than would be achievable under purely passive management over rolling 3-5 year periods. Active managers will be responsible for timing of markets and the tactical allocation of assets among and within the capital markets (including between the U.S. and international markets).

In addition to providing extra returns, active managers will also be employed to smooth returns, provide higher long-term returns, provide protection in adverse markets, and to add exposure and additional diversification to the portfolio than that achievable solely through investment in passive indices representing the strategic asset allocation and strategic policies.

(b) Structure

In using outside managers, the Board will favor a structure using a reasonable number of managers with broad mandates and benchmarks. This preference will be implemented so as to achieve the following goals: to relieve the Board from making timing decisions in allocating assets among numerous specialized managers, to simplify the structure of the fund, and to reduce the number of active managers and thus expenses to the Trust.

Passive managers will be favored for the core, liquid, efficient markets (such as S&P 500 stocks and U.S. Government/Corporate bonds), and active managers will be favored for relatively inefficient markets (such as international emerging markets). Global managers will be used to provide flexibility in reacting to near-term concerns that may arise concerning any particular region or market, particularly the U.S. capital markets, and to provide an appropriate balance between efficient long-term asset allocations (which favor US assets) and near-term allocations (which have a greater preference for international assets) to meet the real (inflation adjusted) return needs of the System. Consequently, actual allocations to international equities in the overall portfolio from time to time may be above that in the strategic asset allocation due to the activities of the global equity managers. Assets under the management of global equity managers will be considered US equity assets for purposes of asset allocation.

(c) Balance between Passive and Active Management

The balance between active and passive management will be set from time to time with the following considerations in mind: concentration of active investment efforts where there is the most potential for excess returns, implementation of views concerning the state of the U.S. and international capital markets, and reduction of fees and other costs.

(d) Monitoring Standards

Active managers will be monitored under two standards: First, over rolling 3-5 year periods, managers will be expected to exceed, after fees, the benchmark index that represents the passive alternative to the mandate given the manager, and to rank in the top half of the universe of managers that best fits that manager’s mandate. Second, over shorter periods of time, managers will be expected to maintain key personnel, a consistent style, and investment capability. Passive managers will be monitored on their ability to track their benchmark index over both short (1 quarter to one year) and long periods (3 to 5 year). The Board may consider other information it considers relevant, including composite manager indices, in determining whether to retain or terminate managers.

V. Asset Class Policies

A. U.S. Equities

1. Objective

The overall objective of the U.S. equity asset class is to obtain, over time, a return after fees that equals or exceeds the returns of the Russell 3000 Index, both absolutely and on a risk-adjusted basis. For assets under the management of global equity managers, the objective for near-term periods (approximately 5 years or sooner) will be to achieve a return after fees that equals or exceeds the returns of the MSCI World Index, both absolutely and on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in stocks that do not pay dividends. Managers may invest in equity securities outside of the Russell 3000 Index, and global equity managers may invest in equity securities outside of the MSCI World Index. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio.

3. Manager Styles

Managers for this asset class may include index funds, style managers (such as value and growth), “core” managers, and global managers. Global managers are managers who may invest in securities located anywhere in the world, both within and outside of the United States.

4. Benchmarks

The Russell 3000 index will be the benchmark for the passive index funds, core managers, and global managers. For near term periods (approximately 5 years or less), the MSCI World index be the benchmark for global equity managers. Other style or capitalization indices maintained by a qualified organization may be used as the benchmark for style managers. Active U.S. and global equity managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 75 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates.

B. International Equities

1. Objective

The overall objective of the International Equity Asset Class is to obtain, over time, a return after fees that equals or exceeds the returns of the Morgan Stanley Capital International Europe, Australia, and Far East (MSCI EAFE) Index (unhedged), or the FT Actuaries World ex U.S. Index, both absolutely and on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in stocks that do not pay dividends. Managers may invest in American Depository Receipts or American Depository Shares. Managers may invest in equity securities of companies or in countries that are not included in the indices. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio. Managers may, at their discretion, hedge the currency exposure of all or part of their portfolios. Managers may not overhedge their portfolio, although proxy hedging for purposes of liquidity and cost savings is allowed.

3. Manager Styles

Managers for this asset class may include index funds, general international managers, and regional or specialized managers (such as emerging markets). The Board may from time to time hire a currency overlay manager to hedge the currency exposure in those portfolios where managers do not actively or normally consider hedging their exposure.

4. Benchmarks

The MSCI EAFE Index (unhedged), the MSCI ACW ex US, or the MSCI ACWI ex US index (unhedged) will be the benchmark for the passive index funds, general international managers, and global managers. Regional or specialized indices (unhedged) maintained by a qualified organization may be used as the benchmark for other active managers. Active international equity managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 75 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates.

C. Fixed Income

1. Objectives

The overall objective of the Fixed Income Asset Class is to obtain, over time, a return after fees that equals or exceeds the returns of the Lehman Brothers Aggregate Bond Index (Aggregate Bond Index) both absolutely and on a risk-adjusted basis.

The Fixed Income Asset Class shall consist of investments in mortgages and in both dollar and non-dollar fixed income securities. Mortgages shall consist of investments in mortgage backed securities, and direct ownership of commercial mortgages through the Idaho Commercial Mortgage Program.

The objective of the non-mortgage fixed income securities other than real return portfolios is to obtain, over time, a return after fees that equals or exceeds the returns of the Lehman Brothers Government/Credit Bond Index (Government/Credit Bond Index) on a risk-adjusted basis. The overall objective of the mortgage securities is to obtain, over time, a return after fees that equals or exceeds the returns of the Lehman Brothers Mortgage Index (Mortgage Index) on a risk-adjusted basis. The overall objective of the real return fixed income is to obtain, over time, a return after fees that equals or exceeds the returns of the Lehman Brothers TIPS Index on a risk-adjusted basis.

2. Allowable Investments

Managers may invest in debt securities that do not pay interest. Active managers may invest in securities in companies or countries that are not included in the indices. Managers may use derivative securities for purposes of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure in the portfolio. Fixed income managers may, at their discretion and to the extent allowed by their contracts and guidelines, use currency forward or futures markets as may be considered appropriate to implement fixed income strategies.

3. Manager Styles

Managers in this asset class may include index funds, domestic bond managers, specialized managers, and global managers.

4. Benchmarks

The Lehman Government/Corporate Index or Lehman Aggregate Index will be the benchmark for all non-mortgage fixed income managers. The Lehman Mortgage Index will be the benchmark for all mortgage managers. The Lehman Aggregate Index will be the benchmark for the asset class. Active fixed income managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 25 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates.

D. Real Estate

1. Objectives

Private equity real estate investments will be considered part of the U.S. Equity asset class. The overall objective of private equity real estate investments is to attain a 6% real rate of return overall, over a long-term holding period, as long as this objective is consistent with maintaining the safety of principal. The 6% real rate of return includes both income and appreciation, is net of investment management fees, and is net of inflation as is measured annually by the Consumer Price Index. Over a short term basis, the objective is to earn a nominal minimum income yield of 6% on each individual investment, or inflation plus 3%, whichever is greater.

2. Allowable Investments

Allowable private equity real estate investments include open-end and closed-end commingled real estate funds, direct real estate investments, publicly traded real estate investment trusts and other public real estate companies, private real estate companies and real estate operating venture entities. Allowable investments must be originated and managed by real estate advisors with substantial experience originating and managing similar investments with other institutional investors. The real estate asset sector is not intended to include solely debt investments; in particular, straight mortgage interests are considered part of the fixed income asset class. The real estate asset sector may include equity-oriented debt investments, including mezzanine loans, that conform with the return targets of the sector.

3. Need for Income Component of Return

Upon closing, each real estate investment must have as a goal the expectation of an annual income return and overall holding period return measured primarily by realized return rather than expected capital appreciation. Thus, a significant portion of real estate investments made should be in existing income producing properties with measurable return expectations rather than purely development properties. However, existing properties with potential for physical enhancement, including development or redevelopment, are acceptable investments.

4. Protection of the Trust

Investment vehicles should be chosen that will protect the Trust, including provision for investments that do not contain debt or liability with recourse beyond the Trust commitment to the related business entity, provision for inspection and evaluation of environmental hazards prior to the purchase of any specific property, and the provision of insurance coverage to protect against environmental and natural hazards.

5. Reporting

A comprehensive reporting system for individual investments, entities and funds will be maintained so that primary operational and economic characteristics are continually defined, and underperforming investments can be identified and remediated. Active asset and portfolio management is required for the management of all non publicly traded real estate investments. Investment managers shall be required to present periodic operational reports within approved formats, including statements of fair market value, audited financial statements and annual business plans.

E. Alternative Investments

1. Definition and Board Approval

The Board may from time to time authorize the investment of Trust assets in entities or structures that do not fit the asset descriptions listed above. Examples of such investments are venture capital partnerships, private equity, leveraged buy-out funds, private debt, and direct ownership of individual assets such as oil and gas partnerships. These investments shall only be entered into with the specific approval by the Board or a subcommittee appointed by the Board of each investment vehicle or investment manager. Subsequent investments with a previously approved alternative investment manager do not require additional specific approvals by the Board or subcommittee.

2. Objectives and Benchmarks

If the alternative investment is an equity investment, the objective for the investment will be to exceed, over time and after fees, the return achieved by the Russell 2000 Index times 1.35. If the alternative investment is a debt investment, then the objective will be to exceed, over time and after fees, the returns achieved by the Lehman Brothers Government/Credit Index plus 3%. It is recognized that these investments will likely experience greater volatility than the comparable publicly traded securities and indices.

VI. Asset Allocation

For purposes of asset allocation, alternative equity investments will be treated as part of the U.S. equity asset class, and alternative debt investments will be treated as part of the fixed income asset class.

Strategic Asset Allocation

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities				
U.S./Global Equity	9.65%	17%	55%	50% - 65%
International	9.65%	19%	15%	10% - 20%
Total Equities			70%	66% - 77%
Fixed Income	5.8%	5%	30%	23% - 33%
Cash	4.0%	1%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.75%	3.75%	4.00%	n/a
Portfolio	8.50%	3.50%	5.00%	11.7%

(Expected Returns are before fees and expenses)

VII. GASB 40 Reporting (Section VII adopted May 26, 2005)

A. Purpose
The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as whole. For example, interest rate risk experienced by fixed income instruments often react in the exact opposite direction as that experienced by equities. Thus, interest rate exposure as set out in GASB 40 will not reflect the cross-influences of impacts across the broad range of investments that make up the PERSI portfolio. And, in fact, the general underlying measures used in GASB 40 across most of the risks identified (credit, concentration, and interest rate risk in particular) were tools that were developed primarily for portfolios dominated by fixed income investments, and are often only poorly transferred, if at all, to portfolios, like PERSI's, that are dominated by equity interests.

Consequently, it is the policy of PERSI that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

B. Specific Areas of Risk

1. Credit Risk

Summary: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to PERSI.

Policy: Managers will provide PERSI with expected credit risk exposures in their portfolio guidelines. If the actual credit risk exposure falls outside of these expectations, managers will be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

2. Custodial Credit Risk

Summary: Custodial credit risk is the risk that in the event of a financial institution or bank failure, the System would not be able to recover the value of their deposits and investments that are in the possession of an outside party.

Policy: PERSI minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to PERSI ownership and further to the extent possible, be held in the System's name.

3. Concentration of Credit Risk

Summary: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide PERSI with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the total PERSI portfolio.

4. Interest Rate Risk

Summary: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to PERSI's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account the optionality on the underlying bond.

Policy: Managers will provide PERSI with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

5. Foreign Currency Risk

Summary: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. PERSI's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings.

Policy: The PERSI Board recognizes that international investments (equity or fixed income) will have a component of currency risk associated with it. Currency risk and hedging exposures are dependent on the underlying international exposure, which fluctuates over time. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

Actuarial Section

Helping Idaho public employees
build a secure retirement.

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December 14, 2009

Retirement Board
Public Employee Retirement System
State of Idaho
P.O. Box 83720
Boise, ID 83720

Members of the Board:

Milliman has performed annual actuarial valuations for the Public Employee Retirement System of Idaho since the System's inception. It is anticipated that future actuarial valuations will be performed every year with the next valuation to be as of July 1, 2010. Various benefit increases have occurred since the System was established in 1965. The most recent significant benefit changes were effective July 1, 2000.

Contribution Rates

The financing objective of the System is to establish contribution rates that will tend to remain level as percentages of payroll. From 1993 to 2009, the total contribution rate has been between 15.82% and 18.75%; year by year detail including employer and member rates is shown in the table on the following page.

At July 1, 2002, the combined overall contribution rate was 15.78%. Our July 1, 2002, valuation found that the contribution rates were not sufficient to amortize the unfunded actuarial accrued liability within 25 years of the valuation date, as required by Section 59-1322, Idaho Code. Therefore, in November 2002, the Board approved three 1% contribution rate increases to take effect on July 1, 2004, July 1, 2005, and July 1, 2006. Effective July 1, 2003, the contribution rate for Fire and Police employers was also increased by 0.1% to offset the cost of the $100,000 duty-related death benefit. The July 1, 2004 contribution rate increase took effect as scheduled, but the other two increases were delayed by the Board a number of times. In October 2007, the Board cancelled the scheduled contribution rate increases.

The historical changes in contribution rates since 1993 are shown in the table below. Note that weighted total values may change even if rates by group do not change.

		Weighted Total		Fire & Police		General/Teachers	
Year of Change	Total Rate	Member Rate	Employer Rate	Member Rate	Employer Rate	Member Rate	Employer Rate
1993	17.16%	6.51%	10.65%	7.82%	10.87%	6.38%	10.63%
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77
2003	15.82	6.01	9.81	7.21	10.11	5.86	9.77
2004	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2008	16.88	6.44	10.44	7.65	10.73	6.23	10.39
2009	16.89	6.45	10.44	7.69	10.73	6.23	10.39

Our July 1, 2009, actuarial valuation found that the System's rates are sufficient to pay the System's normal cost rate of 14.62%. As of July 1, 2009, there is an unfunded actuarial liability of $3,026.6 million. However, the current rates are not sufficient to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 25 or fewer years. Therefore, the amortization period is more than the 25-year maximum permitted under Section 59-1322, Idaho Code. As discussed in the valuation report, a contribution rate increase of 4.52% of pay at January 1, 2011, would provide a 25-year amortization period at July 1, 2009, but other schedules of contribution increases may be considered.

Funding Status

Based on the July 1, 2009 actuarial valuation, the unfunded actuarial accrued liability was increased by $2.443 billion due to a large asset loss recognized as of July 1, 2009. Specifically, the System's assets earned a gross return before expenses of -16.00%, which is 23.75% under the actuarial assumption of 7.75%. All other actuarial experience gains and losses decreased the actuarial accrued liability by $156.3 million. Thus, the total experience loss for the year was $2.287 billion.

Also, the actuarial accrued liability was decreased by $9.6 million because actual contributions plus assumed investment returns were greater than the normal cost and the interest on the unfunded actuarial accrued liability. Adding the Safety Member disability lump sum increased the actuarial accrued liability by $2.0 million. The assumption change for how the PVB for zero salary active members is calculated decreased the actuarial accrued liability by $1.3 million. The March 1, 2009, COLA had no impact on the actuarial accrued liability.

All of these items then resulted in a total actuarial loss of $2.278 billion and a change in funding status from a 93.3% funding ratio on July 1, 2008 to 74.1% on June 30, 2009. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2009 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The last major experience study, completed in 2008, covered the period July 1, 2003 through June 30, 2007. The next major experience study, to be completed in 2010, will cover the period July 1, 2005 through June 30, 2009.

Certification Statement

In preparing our actuarial valuation reports, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of such data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience affecting the System. The Retirement Board has the final decision regarding the appropriateness of the assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

The enclosed Exhibits 1 through 9 provide further related information. Milliman is completely responsible for these exhibits. Specifically, they are:

- Exhibit 1 Summary of Actuarial Assumptions and Methods
- Exhibit 2 Schedule of Active Member Valuation Data
- Exhibit 3 Schedule of Retiree and Beneficiary Valuation Data
- Exhibit 4 Schedule of Funding Progress
- Exhibit 5 Solvency Test
- Exhibit 6 Analysis of Actuarial Gains or Losses
- Exhibit 7 Schedule of Contributions from the Employer and All Other Contributing Entities
- Exhibit 8 Schedule of Contributions from the Employer Expressed as a Percentage of Payroll
- Exhibit 9 Provisions of Governing Law

Milliman's work is prepared solely for the internal business use of the System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

Respectfully submitted,

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RLS/GB/MCO/pap

Public Employee Retirement
System of Idaho

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2009

1. Investment Return (Adopted July 1, 2004)

The annual rate of investment return on the assets of the System is assumed to be 7.75% (including 0.50% for expenses) compounded annually.

2. Actuarial Value of Assets (Adopted July 1, 1994)

All assets are valued at market as of the valuation date.

3. Actuarial Assumptions

The actuarial assumptions and methods were adopted by the Board based upon recommendations from the retained actuary. The actuarial assumptions are based on periodic studies of the System's actual experience.

4. Mortality (Adopted July 1, 2006)

Contributing Members, Service Retirement Members, and Beneficiaries:

- **Teachers**

  Males RP-2000 Combined Table for Healthy Individuals for males, set back two years.

  Females RP-2000 Combined Table for Healthy Individuals for females, set back two years.

- **Fire & Police**

  Males RP-2000 Combined Table for Healthy Individuals for males, with no setback.

  Females RP-2000 Combined Table for Healthy Individuals for females, with no setback.

  10% of Fire and Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2008.

- **General Employees and All Beneficiaries**

  Males RP-2000 Combined Table for Healthy Individuals for males, with no setback.

  Females RP-2000 Combined Table for Healthy Individuals for females, set back one year.

  All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2009 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

Disabled Members

For disabled members, the mortality rates used in the valuation are the rates from the RP-2000 table for disabled individuals for respective sexes, with a two year setback for males and a one year set forward for females.

All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2009 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

5. Service Retirement (Adopted July 1, 2008)

Annual rates of retirement assumed to occur among persons eligible for a service retirement are illustrated in the following table:

	Fire & Police		General Employees			
			Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	24%	20%	25%	10%	30%	20%
60	24	25	30	18	30	20
65	50	45	65	75	60	65
70	*	*	25	25	25	20

	Teachers			
	Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	21%	5%	10%	10%
60	21	20	30	20
65	50	65	65	65
70	*	*	*	*

* *For all ages older than the age indicated, retirement is assumed to occur immediately.*

6. Early Retirement (Adopted July 1, 2008)

Annual rates of retirement assumed to occur among persons eligible for a reduced early retirement benefit are illustrated in the following table:

		General Employees		Teachers	
Age	Fire & Police	Male	Female	Male	Female
50	6%	*	*	*	*
55	7	3%	4%	10%	6%
60		8	8	13	15

* *For all ages younger than the age indicated, withdrawal is assumed to occur (see Section 7).*

7. Other Terminations of Employment (Adopted July 1, 2008)

Assumed annual rates of termination are illustrated below. Rates are based only on years of service.

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	8.0%	11.5%	12.5%	6.5%	7.0%
10	5.2	6.3	7.4	3.4	3.6
15	3.2	3.9	4.4	2.1	2.0
20	1.8	2.6	3.1	1.4	1.4
25	1.5	1.8	2.5	1.2	1.2
30	1.5	1.5	2.5	1.2	1.2

8. Disability Retirement (Adopted July 1, 2008)

Annual rates assumed for disability retirement are illustrated in the following table:

Age	Fire & Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	.01%	.01%	.01%	.02%	.05%
35	.03	.06	.04	.02	.04
45	.13	.12	.11	.07	.07
55	.37	.47	.29	.32	.27

25% of Fire and Police active member disabilities are assumed to be duty related.
This assumption was adopted July 1, 2009.

Note that rates shown in items 5-8 are central rates of decrement.

9. Future Salaries (Adopted July 1, 2008)

In general, the total annual rates at which salaries are assumed to increase include 4.50% per annum for increase in the general wage level of the membership plus increases due to promotions and longevity. The general wage level increases are due to inflation and increases in productivity. The total ultimate rates assumed are illustrated below.

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	8.5%	7.0%	7.5%	7.9%	8.6%
10	6.8	6.1	6.4	6.8	7.0
15	6.0	5.4	5.5	5.8	5.4
20	5.5	5.2	5.2	5.0	5.0

10. Vesting (Adopted July 1, 2008)

The following table illustrates the assumed probability that vested terminating members will elect to receive deferred benefits instead of withdrawing accumulated contributions.

Age	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	48%	56%	60%	75%	73%
35	53	65	70	75	81
45	70	68	73	75	84
55	--	--	--	--	--

11. Growth in Membership (Adopted July 1, 2004)

In general, the combined effects of stable active membership and salary levels are assumed to produce a 4.50% average annual expansion in the payroll of covered members.

12. Interest on Employee Contributions (Adopted July 1, 2004)

The credited interest rate on employee contributions is assumed to be 7.25%.

13. Postretirement Benefit Increases (Cost of Living Adjustments)

A nondiscretionary postretirement increase of 1% per year is assumed for the valuation. See Exhibit 3 for total discretionary and nondiscretionary increases granted by the Board for the past ten years.

14. Actuarial Cost Method

The entry age actuarial cost method is used as specified by Idaho law. The aggregate normal cost rate is based on separate rates developed for each valuation group. The normal cost rates used in this valuation were calculated based on all current active members, for each sex and type of employee in this valuation. The actuarial present values of projected benefits and of projected salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The aggregate rate remains unchanged between valuations, unless actuarial assumptions, benefits or contribution rates are changed. The current aggregate normal cost rate was adopted July 1, 2008.

The unfunded actuarial accrued liability (UAAL) created by this method, including gains and losses, is amortized as a level percentage of the System's projected payroll.

Commencing July 1, 2007, 1.49% of the payroll of higher education faculty covered by the Optional Retirement Program (ORP) is payable to PERSI until July 1, 2025. Commencing July 1, 1997, 3.83% of the payroll of community college and post-secondary vocational educational institutions covered by the ORP is payable to PERSI until July 1, 2011. The difference between the future ORP contributions and the actuarial accrued liability computed under the actuarial cost method is the portion of the actuarial accrued liability used to determine the UAAL, or funding reserve, for PERSI.

15. Experience Studies

The last experience study was for the period July 1, 2003 through June 30, 2007 and reviewed all economic & demographic assumptions except mortality. Mortality and economic assumptions will be studied in 2010 for the period from July 1, 2005 through June 30, 2009. Assumptions were adopted and have remained in effect as noted.

16. Recent Changes

The contribution rate for Fire & Police Members was changed from 7.65% to 7.69% and a $100,000 lump sum disability benefit for Fire & Police duty disabilities was added. These changes were effective July 1, 2009.

Active members with zero salary are treated as inactive members. The liability for vested members is estimated as a multiple of accumulated member contributions. The assumption was changed from 2.5 to a value reflecting the current ratio of the Present Value of Future Benefits to the accumulated member contributions for vested inactive members. As of July 1, 2009 that value is 1.6. This change was made for the July 1, 2009 actuarial valuation.

Public Employee Retirement System of Idaho

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

		Annual Salaries *		
Valuation Date July 1	Number	Annual Valuation Payroll	Average Annual Pay	% Increase in Average Annual Pay
2000	60,388	$1,798,222,000	$29,778	5.4%
2001	62,125	1,924,389,000	30,976	4.0
2002	62,376	2,036,004,000	32,641	5.4
2003	62,385	2,063,615,000	33,079	1.3
2004	63,385	2,124,040,000	33,510	1.3
2005	64,391	2,197,385,000	34,126	1.8
2006	64,762	2,294,317,000	35,427	3.8
2007	65,800	2,397,470,000	36,436	2.8
2008	66,765	2,540,568,000	38,052	4.4
2009	67,813	2,644,665,000	38,999	2.5

* *Actuarial valuation payroll is computed as the sum of the annualized salaries for all active members, and differs from the actual payroll shown in the financial section of the annual report.*

EXHIBIT 3: SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA [1]

Valuation Date July 1	Number			COLA Percentage Increases Granted Previous March 1
	Total	Added	Removed	
2000	22,456	1,597	897	2.3%
2001	23,253	1,840	1,043	3.4
2002	24,018	1,612	847	2.7
2003	24,991	1,790	817	1.0
2004	26,043	1,875	823	2.2
2005	27,246	1,959	756	2.7% + 100% restoration
2006	28,438	2,073	881	3.6
2007	29,619	2,101	920	3.8
2008	30,912	2,160	867	2.0
2009	32,197	2,235	950	1.0

Valuation Date July 1	Annual Benefits				
	Total Rolls End of Year	Added to Rolls [2]	Removed from Rolls	Average	% Increase in Average
2000	$209,549,000	$22,757,000	$6,649,000	$9,332	5.0%
2001	235,269,000	33,251,000	7,531,000	10,118	8.4
2002	255,374,000	26,672,000	6,567,000	10,633	5.1
2003	279,219,000	30,190,000	6,345,000	11,173	5.1
2004	307,410,000	35,243,000	7,052,000	11,804	5.6
2005	343,077,000	42,022,000	6,355,000	12,592	6.7
2006	381,677,000	46,085,000	7,485,000	13,421	6.6
2007	422,196,000	49,182,000	8,663,000	14,254	6.2
2008	459,077,000	45,072,000	8,191,000	14,851	4.2
2009	491,946,000	42,698,000	9,829,000	15,279	2.9

(1) Information regarding the number of retirees and beneficiaries added to, and removed from, the rolls was not used in the actuarial valuations.

(2) Includes postretirement increases.

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EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS
(ALL DOLLAR AMOUNTS IN MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) (1)	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio (3)	Covered Payroll (4)	UAAL as a Percentage of Covered Payroll
July 1, 2000	$7,032.9	$6,105.1	$70.5	$(998.3)	116.5%	$1,827.2	(54.6)%
July 1, 2001	6,492.8	6,751.3	72.2	186.3	97.2	1,975.3	9.4
July 1, 2002	6,062.1	7,209.5	71.7	1,075.7	84.9	2,047.1	52.5
July 1, 2003	6,297.8	7,578.8	66.4	1,214.6	83.8	2,057.7	59.0
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	748.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8

(1) *Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.*

(2) *Actuarial accrued liabilities less actuarial value of assets and present value of future ORP contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing payments granted after the valuation date. If negative, amount is referred to as a funding reserve.*

(3) *Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.*

(4) *Covered Payroll includes compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2 which is an annualized compensation of only those members who were active on the actuarial valuation date.*

EXHIBIT 5: SOLVENCY TEST
(ALL DOLLAR AMOUNTS IN MILLIONS)

		Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
Actuarial Valuation Date	Actuarial Value of Assets	Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
July 1, 2000	$7,032.9	$1,329.7	$2,173.8	$2,601.6	100.0%	100.0%	100.0%
July 1, 2001	6,492.8	1,502.0	2,487.6	2,761.7	100.0	100.0	90.6
July 1, 2002	6,062.1	1,622.4	2,665.3	2,921.8	100.0	100.0	60.7
July 1, 2003	6,297.8	1,677.8	2,882.9	3,018.1	100.0	100.0	57.6
July 1, 2004	7,420.2	1,717.7	3,198.1	3,239.0	100.0	100.0	77.3
July 1, 2005	8,208.8	1,875.1	3,606.7	3,296.9	100.0	100.0	82.7
July 1, 2006	9,177.1	2,142.5	4,088.9	3,467.6	100.0	100.0	84.9
July 1, 2007	10,945.8	2,335.6	4,582.9	3,513.4	100.0	100.0	100.0
July 1, 2008	10,402.0	2,642.0	5,022.9	3,546.9	100.0	100.0	77.2
July 1, 2009	8,646.0	2,867.7	5,396.2	3,468.3	100.0	100.0	11.0

EXHIBIT 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES
(ALL DOLLAR AMOUNTS IN MILLIONS)

	Gain(Loss) for Period		
	2006-2007	**2007-2008**	**2008-2009**
Investment Income			
Investment income was greater (less) than expected.	$ 1,130.1	$ (1,274.6)	$ (2,442.9)
Pay Increases			
Pay increases were less (greater) than expected.	72.8	(15.0)	102.4
Membership Growth			
(Additional) liability for new members.	(18.9)	(19.1)	(21.4)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(5.5)	(2.4)	(17.0)
Death After Retirement			
Retirees died younger (lived longer) than expected.	13.6	0.6	0.3
Cost of Living Adjustment (COLA)			
Different Automatic COLA than expected	NA	NA	124.3
Other			
Miscellaneous gains (and losses) resulting from other causes. (1)	(23.5)	(46.5)	(32.3)
Total Gain (Loss) During the Period From Actuarial Experience	$1,168.6	$ (1,357.0)	$ (2,286.6)
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	16.3	97.7	9.6
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss).	None	(17.6)(3)	(1.3)(4)
Changes in actuarial methods caused a gain (loss).	(36.4)(2)	None	None
Changes in plan provisions caused a gain (loss).	None	None	(2.0)(5)
Composite Gain (Loss) During the Period	$ 1,148.5	$ (1,276.9)	$ (2,277.7)

Note: Effects related to losses are shown in parentheses. Numerical results are expressed as a decrease (increase) in the actuarial accrued liability.

(1) Reflects losses on active and inactive member experience.
(2) For 2006-2007, this includes a $24.4 million dollar loss due to the use of current FAE (if higher than estimated FAE) in calculating benefits and a 12.0 million dollar loss due to an adjustment of the COLA timing factor.
(3) For 2007-2008, this reflects changes made to the demographic assumptions as described in the July 30, 2008 Active Member Experience Study.
(4) For 2008-2009, this reflects changes to value zero salary vested employees using current vested member PVB/EECI ratio.
(5) For 2008-2009, this reflects the addition of a lump sum disability benefit for safety members.

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EXHIBIT 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES (ALL DOLLAR AMOUNTS IN MILLIONS)

Fiscal Year Ending	Covered Employee Payroll (1)	Actual PERSI Employer Contributions Dollar Amount (2)	Actual ORP Contributions Dollar Amount	Total Actual Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Dollars Contributed
6/30/04	$ 2,115.4	$ 207.3	$ 5.3	$ 212.6	$ 218.8	97%
6/30/05	2,208.7	230.4	5.8	236.2	236.7	100
6/30/06	2,343.5	244.4	6.4	250.8	238.1	105
6/30/07	2,421.0	252.8	6.7	259.5	235.4	110
6/30/08	2,578.9	269.2	4.1	273.3	251.4	109
6/30/09	2,683.5	280.2	4.4	284.6	232.0 (4)	123

ENTITIES (ALL DOLLAR AMOUNTS IN MILLIONS)

(1) Computed as the dollar amount of the actual PERSI employer contribution made as a percentage of payroll divided by the Actual PERSI contribution rate expressed as a percentage of payroll.

(2) The actual PERSI employer contributions are expressed as a percentage of payroll. Employer contributions are made as a percentage of actual payroll in accordance with statute and the Board's Funding Policy. Thus, the actual employer contributions set by both statute and the Board's Funding Policy may differ from the computed ARC employer contribution rate for GASB disclosure purposes. Dollar amounts shown exclude additional receipts due to merger of retirement systems.

(3) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employer fiscal years commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

(4) See Table C-5 of the valuation for further disclosures. The ARC of 8.483% for the PERSI fiscal year ending June 30, 2009 is based on three months at 9.66% as computed in the 2006 valuation and nine months at 8.09% as computed in the 2007 valuation.

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EXHIBIT 8: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER EXPRESSED AS A PERCENTAGE OF PAYROLL

Fiscal Year Ending	Actual PERSI Employer Contribution % (1)	Annual Required Contribution (ARC) % (2)	Percentage of ARC Contributed
6/30/04	9.80%	10.093%	97%
6/30/05	10.43	10.453	100
6/30/06	10.43	9.885	105
6/30/07	10.44	9.448	110
6/30/08	10.44	9.588	109
6/30/09	10.44	8.483 (3)	123

(1) The actual PERSI employer contributions are expressed as a percentage of payroll. Employer contributions are made as a percentage of actual payroll in accordance with statute and the Board's Funding Policy. Thus, the actual employer contributions set by both statute and the Board's Funding Policy may differ from the computed ARC employer contribution rate for GASB disclosure purposes. Dollar amounts shown exclude additional receipts due to merger of retirement systems.

(2) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

(3) See Table C-5 of the valuation for further disclosures. The ARC of 8.483% for the PERSI fiscal year ending June 30, 2009 is based on three months at 9.66% as computed in the 2006 valuation and nine months at 8.09% as computed in the 2007 valuation.

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

All actuarial calculations are based on our understanding of the statutes governing the Public Employee Retirement System of Idaho, as contained in Sections 59-1301 through 59-1399, inclusive, of the Idaho Code, with amendments effective through July 1, 2009. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the Idaho Code. This summary does not attempt to cover all the detailed provisions of the law: members seeking specific plan provisions should consult their member handbook. Only those benefits in effect through July 1, 2009 are considered in this valuation.

The items in parentheses are the provisions applicable to firefighters and police officers.

Effective Date

The effective date of the Retirement System was July 1, 1965.

Member Contribution Rate

The member contribution rate effective July 1, 2009 is 6.23% (7.69%) of salary.

The current employee contribution rate will remain in effect until a change is approved by the Board, at which time the member contribution rate will be fixed at 60% (72%) of the employer contribution rate. For firefighters and police officers, the 72% adjustment is applied after reducing the employer rate by 0.10%, reflecting the 1993 changes in disability provisions for firefighters and police members and the 2003 addition of a $100,000 death benefit for fire and police members who die in the line of duty. After the 72% is applied, the resulting rate is increased by 0.04% for the lump sum duty disability benefit. Member contributions have been "picked up" on a pre-tax basis by the employer since June 30, 1983. (Sections 59-1331 and 59-1332).

Employer Contribution Rate

The employer contribution rate is set by the Retirement Board (Section 59-1322).

Service Retirement Allowance

Eligibility
Age 65 (60) with five years of service, including six months of membership service (Section 59-1341).

Amount of Allowance
For each year of credited service, the annual service retirement allowance is 2.0% (2.3%) of the highest 42-month average salary (Section 59-1342).

Minimum Benefit
$60 ($72) annual allowance for each year of service. The dollar amounts increase after 1974 according to the rate of cost of living increases in retirement allowances (Section 59-1342).

Maximum Benefit
In no case may a member's regular retirement benefit exceed the highest three-year average salary of the member (Section 59-1342).

Normal Form
Straight life retirement allowance plus any death benefit (Section 59-1351).

Optional Form
Actuarial equivalent of the normal form under the options available, according to the mortality and interest basis adopted by the Board (Section 59-1351).

Early Retirement Allowance

Eligibility
Age 55 (50) with five years of service, including six months of membership service (contributing members only) (Section 59-1345).

Amount of Allowance
Full accrued service retirement allowance if age plus service equals 90 (80); otherwise, the accrued service retirement allowance, reduced by 3% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive the full accrued benefit, and by 5.75% for each additional year (Section 59-1346).

Vested Retirement Allowance

Eligibility
Former contributing members with five years of membership service are entitled to receive benefits after attaining age 55 (50) (Section 59-1345).

Amount of Allowance
Same as early retirement allowance (Section 59-1345).

Disability Retirement Allowance

Eligibility
Five years of membership service. For a police officer or a firefighter hired after July 1, 1993 who is disabled from an occupational cause, there is no service requirement (Section 59-1352).

Amount of Allowance
Projected service retirement allowance based on accrued service plus service projected to age 65 (60) (latter limited to excess of 30 years over accrued service) less any amount payable under workers' compensation law (Section 59-1353).

Normal Form
Temporary annuity to age 65 (60) plus any death benefit. Service retirement allowance becomes payable at age 65 (60) (Section 59-1354).

Safety Member Lump Sum Duty Disability Benefit
Fire and Police members who are disabled in the line of duty are eligible for a $100,000 lump sum benefit, in addition to the annuity benefits discussed above (Section 59-1352A).

Death Benefits

After Retirement
Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise, payable according to the option elected (Section 59-1361).

Before Retirement
A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with at least five years of service who dies while:
   i. contributing;
   ii. not contributing, but eligible for benefits; or
   iii. retired for disability

B. If a member with at least five years of service has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

C. If a member has less than five years of service, a lump sum payment is made equal to the accumulated contributions with interest (Section 59-1361).

Fire and police members are entitled to an additional $100,000 payment if death occurs in the line of duty (Section 59-1361 A).

Withdrawal Benefits

Accumulated contributions with interest (Section 59-1358). The interest rate is determined by the Board (Section 59-1301 (26)).

Postretirement Increases

Postretirement benefit increases are based on changes in the Consumer Price Index. The measurement period for changes in the CPI-U is August to August. The COLA changes are implemented effective on the March 1 following the measurement period.

If the CPI-U increases by at least 1%, the COLA is at least 1%. If the CPI-U increases by more than 1%, an additional postretirement increase of up to 5% each year (but not more than the increase in the CPI-U) may be authorized by the Board, subject to the approval of the Legislature, if it finds that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase.

If the CPI-U increases by less than 1% or decreases, the COLA is automatic, based on the change in the CPI. If a negative COLA is applicable, the negative COLA cannot decrease benefits by more than 6%. Additionally, a negative COLA cannot decrease a member's benefit below the amount of the benefit at the initial benefit date.

If a COLA is implemented that is less than the increase in the CPI-U, members' benefits will not retain their full inflation-adjusted purchasing power. In such cases the Board may implement a Restoration of Purchasing Power (ROPP) COLA at a later date to bring those members closer to 100% of inflation adjusted purchasing power. As with a discretionary COLA, a ROPP is subject to approval of the Legislature and requires that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase (Section 59-1355).

Gain Sharing

Beginning in 2000, under Section 59-1309, Idaho Code, the Board may allocate all or a portion of "extraordinary gains" to active and retired members and employers as Gain Sharing.

Extraordinary gains are defined as the excess, if any, at the close of the fiscal year of the Assets over Actuarial Accrued Liabilities plus an amount necessary to absorb a one standard deviation market event without increasing contribution rates, as determined by the Board. Under the Board's current investment policy, assets in excess of a 113% funded ratio are considered extraordinary gains. The Board has the authority to rescind the Gain Sharing up to the date of distribution.

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November 5, 2009

Retirement Board
Public Employee Retirement System
State of Idaho
P.O. Box 83720
Boise, Idaho 83720-0078

Members of the Board:

Milliman has performed annual actuarial valuations of the Idaho Firefighters' Retirement Fund (FRF) from 1981 through 1988 and biennial valuations from July 1, 1990, to July 1, 2000. Since the July 1, 2001, valuation, actuarial valuations occurred annually through the July 1, 2007, valuation. Beginning with the current valuation, July 1, 2009, the valuations are biennial. The next actuarial valuation is scheduled for July 1, 2011.

Contribution Rates

FRF covers a closed group of firefighters who were hired before October 1, 1980 and who receive benefits in excess of those provided under the Public Employee Retirement System of Idaho (PERSI). The cost of these excess benefits is paid by member contributions, employer contributions, and receipts from a fire insurance premium tax. Employer contributions comprise two elements: 8.65% of the salaries of covered members and an additional rate applied to the salaries of all firefighters of the employer. The additional rate is designed to meet the costs of the Fund not covered by other resources. Idaho Code Section 59-1394 requires the cost of the excess benefits to be retired by the schedule of contributions over a given period of time not to exceed 50 years.

FRF benefits were offset by PERSI benefits effective October 1, 1980. Effective July 1, 1990, all members hired after June 30, 1978, are to receive the same FRF benefits as members hired earlier.

Effective October 1, 1994, the PERSI benefits and contributions were increased. The FRF additional contribution rate to fund the excess benefits was decreased to 15.40% and the total employer contributions for FRF members remained fixed at 35.90% for Class A & B firefighters and 27.25% for Class D firefighters.

The Retirement Board lowered the PERSI contribution rates starting October 31, 1997 and made the reduction permanent as of April 25, 2000. The FRF excess contribution rate was increased to 17.24% since the total employer contributions for FRF members remained fixed at the 35.90% / 27.25% rates.

The Retirement Board raised the PERSI contribution rates, with the first increase effective July 1, 2004, and additional increases effective July 1, 2005, and July 1, 2006; an additional 0.1% contribution was added to provide for a $100,000 death benefit for duty-related deaths. The FRF excess contribution rate was maintained at 17.24%. The July 1, 2004, rate increase took effect as scheduled, but the other two rate increases were delayed by the Board to July 1, 2006, and July 1, 2007.

After the July 1, 2006, PERSI and FRF valuation reports were completed, the PERSI Board delayed the effective date of the scheduled contribution rate increases to July 1, 2008, and July 1, 2009. In October 2007, the Board cancelled the remaining scheduled contribution rate increases.

Funding Status

Based on the July 1, 2009, actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by January 31, 2018, or 8.6 years from the valuation date. This is longer than the expected amortization period of 0.3 years based on the July 1, 2007, valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over 9 years or by June 30, 2018 (40 years from July 1, 1978). The current amortization period is less than the statutory maximum of 50 years.

The unfunded actuarial accrued liability (UAAL) was increased by $100.7 million due to an asset loss recognized as of July 1, 2009. Specifically, the Fund's assets earned a gross return before expenses of (15.91)% for the 2009 plan year which was less than the actuarial assumption of 7.75%. All experience gains and losses (including the asset gain) over the year resulted in the UAAL being increased by $101.6 million. Also, the actuarial accrued liability was decreased by $24.9 million because actual contributions plus assumed investment returns were more than the normal cost and the interest on the unfunded actuarial accrued liability. The funding status decreased from a 92.6% funding ratio on July 1, 2007, to 69.3% on June 30, 2009. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2009, actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members. Several assumptions were changed between July 1, 2003, and July 1, 2004, including the investment return, wage growth assumption, and the inflation assumption. The mortality assumptions for the plan were changed on July 1, 2006, in conjunction with changes to the assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2006, valuation.

There were no changes in actuarial assumptions between the July 1, 2007, and July 1, 2009, valuations. The next major PERSI experience study, to be completed in 2010, will cover the period July 1, 2005, through June 30, 2009.

Certification Statement

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of such data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience affecting the System. The Retirement Board has the final decision regarding the appropriateness of the assumptions

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The enclosed Exhibits 1 through 9 provide further related information. Milliman is completely responsible for these exhibits. Specifically, they are:

Exhibit 1	Summary of Actuarial Assumptions and Methods
Exhibit 2	Schedule of Active Member Valuation Data
Exhibit 3	Schedule of Retiree and Beneficiary Valuation Data
Exhibit 4	Schedule of Funding Progress
Exhibit 5	Solvency Test
Exhibit 6	Analysis of Actuarial Gains or Losses
Exhibit 7	Schedule of Contributions from the Employer and All Other Contributing Entities
Exhibit 8	Contribution Rates as a Percent of Pay
Exhibit 9	Provisions of Governing Law

Milliman's work is prepared solely for the internal business use of the System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

Respectfully submitted,

Robert L. Schmidt, F.S.A., M.A.A.A.	Geoff Bridges, F.S.A., M.A.A.A.
Consulting Actuary	Consulting Actuary

RLS/GB/pap

Idaho Firefighters' Retirement Fund

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2009

1. Investment Return (Adopted July 1, 2004)

The annual rate of investment return on the assets of the Fund is assumed to be 7.75% (including 0.50% for expenses), compounded annually.

2. Actuarial Value of Assets (Adopted July 1, 1994)

All assets are valued at market as of the valuation date.

3. Actuarial Assumptions

The actuarial assumptions and methods were adopted by the PERSI Board based upon recommendations from the retained actuary. The actuarial assumptions are based on periodic studies of the PERSI total fund's actual experience.

4. Service Retirement (Adopted July 1, 1992)

Annual rates of retirement assumed to occur among persons eligible for a service retirement are illustrated in the following table:

Years Since Becoming Eligible to Retire (1)	Age	Probability of Service Retirement
0 - 4	N/A	10.0%
5+	35 - 49	40.0
	50 - 59	40.0
	60	60.0
	61	30.0
	62	65.0
	63	40.0
	64	40.0
	65 - 69	60.0
	70	*Immediate retirement is assumed at age 70*

(1) Eligibility occurs after 20 years of service, or attained age 60 with five years of service.

5. Mortality (Adopted July 1, 2006)

The mortality rates used for all members of the Fund, active and retired, are from the RP-2000 Combined Mortality Table for males with generational mortality adjustments, with ages unadjusted. The mortality rates assumed for spouses are from the RP-2000 Combined Mortality Table for females with generational mortality adjustments, with ages set back one year. For disabled members, the mortality rates used in the valuation are from the RP-2000 Mortality Table for disabled males with generational mortality adjustments, set back two years. These tables are illustrated in Table A-4A of the July 1, 2009, valuation report.

The Generational mortality adjustments provide a margin for future mortality improvements. The adjustments are applied from the base year of the tables (2000) to the year in which the mortality assumption is applied. The adjustments are done using the standard RP-2000 projection scale (Scale AA). These tables are illustrated in Tables A-4A and A-4B of the July 1, 2009, valuation report.

6. Disability Retirement (Adopted July 1, 1996)

Annual rates assumed for disability retirement are illustrated in the following table:

Age	Duty-Related	Non-Duty-Related
25	.030%	.015%
35	.030	.015
45	.100	.100
55	.400	.400

7. Other Terminations of Employment (Adopted July 1, 2002)

Assumed annual rates of termination for persons who are not eligible for service retirement are illustrated below:

Years of Service	Annual Rate
5	8.0%
10	4.0
15	2.5
20	2.0

8. Future Salaries (Adopted July 1, 2004)

In general, the total annual rates at which salaries are assumed to increase include 4.50% per year for increases in the general wage level of membership. The general wage level increases are due to inflation and increases in productivity. Due to the closed group and the aging of the membership, the general wage assumption is assumed to adequately cover any additional increases due to promotions and longevity.

9. Replacement of Terminated Members

The Firefighters' Retirement Fund is a closed group. No new members are permitted. The total number of firefighters in PERSI (including those hired October 1, 1980, and later) is assumed to remain unchanged from year to year.

10. Postretirement Benefit Increases (Cost of Living Adjustments) (Adopted July 1, 2004)

FRF benefits are based on paid salary and are assumed to increase at the same rate as the average paid firefighter's salary, or 4.50% per year. For members whose FRF benefits are offset by their PERSI benefits, the PERSI benefits are assumed to have post-retirement benefit increases of 3.75% per year. The assumptions regarding PERSI future post-retirement benefit increases is part of the funding policy for the FRF.

11. Probability of Marriage

It is assumed that there is an 85% probability that the member has an eligible spouse. The spouse’s age is assumed to be three years younger than the member's.

12. Fire Insurance Premiums (Adopted July 1, 2004)

The fire insurance premiums received for the plan year ending June 30, 2009, amounted to $3,563,731 or approximately 6.39% of all firefighters' covered compensation during the same period. Future fire insurance premiums are expected to provide contributions as a decreasing percentage of compensation, due to the assumption that the firefighters' covered compensation (including Class D members) will increase at the rate of 4.50% per year, but future fire insurance premiums are assumed to increase at a rate of only 3.75% per year. In addition, scheduled decreases in the fire insurance premium tax rate will result in reduced funds being transferred to the FRF plan. The rate for the increase for covered compensation was adopted July 1, 2004. The rate for the increase of fire insurance premiums was adopted July 1, 2004.

13. Actuarial Cost Method (Adopted July 1, 1996) – Funding Policy

The actuarial present value of future benefits not provided by PERSI, less the actuarial value of the assets and the present value of future statutory contributions for Class A & B members, is amortized as a level percentage of covered compensation, which includes the Class D firefighters. This can be considered a modified aggregate cost method. Contributions under this funding policy are reasonable for a closed group of members but are expected to be less than the GASB reported Annual Required Contribution (ARC).

14. Actuarial Cost Method (Adopted July 1, 1998) – GASB Disclosures

For GASB disclosure purposes, costs are determined based on the entry age normal cost method. The actuarial present value of future benefits not provided by PERSI less the present value of future normal costs equals the actuarial accrued liability. The unfunded actuarial accrued liability (UAAL) is equal to the actuarial accrued liability less the actuarial value of the assets. The UAAL is amortized as a level dollar amount over a fixed amortization period. The current amortization period is based on an open 30-year period from July 1, 2009. The ARC is then the total of the normal cost allocated to the current plan year plus the amortization payment on the UAAL. Prior to July 1, 2006, the UAAL was amortized over a closed 40-year period from July 1, 1996. This assumption was adopted July 1, 1998, but applied retroactively to the July 1, 1996, valuation.

15. Experience Studies

The last experience study was for the period July 1, 2003, through June 30, 2007, and reviewed all assumptions except mortality. Mortality assumptions will be studied in 2010 for the period July 1, 2005, to June 30, 2009. There were no assumptions adopted from the last experience study. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members.

16. Recent Changes

The mortality assumptions were modified as of July 1, 2006 in conjunction with changes to the mortality assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2006 valuation report. The investment return assumption, wage growth assumption, and the inflation assumption were modified effective July 1, 2004.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries Total[1]	Annual Salaries Average	Annual Salaries Annual Increase in Average
1998	163	$ 7,954,048	$ 48,798	5.4%
2000	129	7,174,924	55,620	6.8
2001	103	5,771,086	56,030	0.7
2002	81	4,981,492	61,500	9.8
2003	57	3,750,432	65,797	7.0
2004	42	2,840,572	67,633	2.8
2005	20	1,526,466	76,323	12.8
2006	13	1,034,693	79,592	4.3
2007	10	791,125	79,113	(0.6)
2009	5	437,818	87,564	5.2

(1) Annualized average salaries for covered members for the 12-month period commencing October 1 of the previous calendar year. For years ending after June 30, 2003, the 12-month period is the period from July 1 to June 30 of the previous calendar year.

EXHIBIT 3: SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA[1]

Valuation Date July 1	Number Total	Number Added	Number Removed	COLA Increases Granted Previous January 1
1998	482	72	21	5.00%
2000	508	43	17	3.33
2001	526	31	13	7.55
2002	558	41	9	1.51
2003	576	27	9	4.41
2004	582	21	15	2.56
2005	599	25	8	4.33
2006	597	10	12	4.36
2007	590	5	12	2.42
2009	573	6	23	5.10

Valuation Date July 1	Annual Benefits Total[2]	Added[3]	Removed	Average	Increases in Average
1998	$12,950,197	$2,942,954	$404,464	$26,868	5.5%
2000	14,420,361	1,896,872	426,708	28,387	2.8
2001	16,607,752	2,529,792	342,401	31,574	11.2
2002	17,834,237	1,458,868	232,384	31,961	1.2
2003	19,329,902	1,725,487	229,822	33,559	5.0
2004	20,095,076	1,148,461	383,287	34,528	2.9
2005	21,699,127	1,833,685	229,634	36,226	4.9
2006	22,636,930	1,320,848	383,045	37,918	4.7
2007	22,992,269	754,703	399,364	38,970	2.8
2009	24,598,935	2,442,928	836,262	42,930	5.0

(1) Information regarding the number of retirees and beneficiaries added to, and removed from, the rolls was not used in the actuarial valuations.

(2) Combined annual benefits from FRF and PERSI. The FRF benefits comprised $18,197,678 of the 2009 total.

(3) Includes postretirement increases.

Idaho Firefighters' Retirement Fund

EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS (All Dollar Amounts in Millions)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)[1]	Unfunded Actuarial Accrued Liabilities (UAAL)[2]	Funded Ratio	Covered Payroll[3]	UAAL as a Percentage of Covered Payroll
1998	$179.0	$284.0	$105.0	63.0%	$28.0	375.0%
2000	217.8	293.4	75.6	74.2	30.8	245.5
2001	200.4	316.2	115.8	63.4	32.9	352.0
2002	181.5	300.3	118.8	60.4	34.4	345.3
2003	182.7	310.7	128.0	58.8	37.0	345.9
2004	210.4	302.6	92.2	69.5	39.8	231.7
2005	227.2	309.1	81.9	73.5	42.2	194.1
2006	248.8	312.3	63.5	79.7	45.0	141.1
2007	291.5	314.8	23.3	92.6	47.6	48.9
2009	225.3	325.3	100.0	69.3	55.7	179.5

(1) *Actuarial present value of future excess benefits less actuarial present value of excess statutory contributions over amounts required by PERSI, for years prior to 1996. For years after 1996, the excess of the actuarial present value of future excess benefits less the present value of future normal cost contributions under the entry age cost method.*

(2) *Actuarial accrued liabilities less actuarial value of assets.*

(3) *Covered Payroll includes compensation paid to all active firefighters for whom contributions were made to FRF. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those members hired prior to October 1, 1980, who were active on the actuarial valuation date. For years prior to 1996, Covered Payroll is estimated. See footnote to Exhibit 7.*

Idaho Firefighters' Retirement Fund

EXHIBIT 5: SOLVENCY TEST
(All Dollar Amounts in Millions)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Liabilities[1] for (A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Active Members (Employer Financed Portion)	Portion of Actuarial Liabilities Covered by Assets (A)	(B)	(C)
1998	$179.0	$0.9	$226.0	$60.8	100.0%	78.8%	0.0%
2000	217.8	0.9	239.9	55.0	100.0	90.4	0.0
2001	200.4	0.3	274.5	43.0	100.0	72.9	0.0
2002	181.5	0.2	270.5	30.4	100.0	67.0	0.0
2003	182.7	0.2	289.4	21.5	100.0	63.1	0.0
2004	210.4	0.1	287.7	15.2	100.0	73.1	0.0
2005	227.2	0.1	301.6	7.4	100.0	75.3	0.0
2006	248.8	0.0	308.1	4.2	100.0	80.8	0.0
2007	291.5	0.0	312.0	2.8	100.0	93.4	0.0
2009	225.3	0.0	324.0	1.3	100.0	69.5	0.0

(1) Computed based on funding policy methods and assumptions.

Idaho Firefighters' Retirement Fund

EXHIBIT 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES
(All Dollar Amounts in Millions)

	Gain (Loss) for Period		
	2005-2006	**2006-2007**	**2007-2009**
Investment Income Investment income was greater (less) than expected.	$ 10.0	$ 29.7	$(100.7)
Pay Increases Pay increases and COLAs were less (greater) than expected.	0.4	8.1	5.9
Death After Retirement Retirees died younger (lived longer) than expected.	–	(2.7)	–
Other Miscellaneous gains (and losses) resulting from other causes.	0.3	3.3	(5.0)
Total Gain (Loss) During the Period From Actuarial Experience	$ 10.7	$ 38.4	$(101.6)
Contribution Income Actual contributions plus assumed investment returns were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	6.5	8.1	24.9
Non-Recurring Items Changes in actuarial assumptions and benefits caused a gain (loss).	1.2	(6.3)	–
Composite Gain (Loss) During the Period	$ 18.4	$ 40.2	$ (76.7)

Note: Effects related to losses are shown in parentheses. Numerical results are expressed as a decrease (increase) in the actuarial accrued liability.

Idaho Firefighters' Retirement Fund

EXHIBIT 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES (Actual Dollar Amounts)

Fiscal Year Ending	Covered Employee Payroll (1)	Statutory Employer Contributions (2)	Additional Employer Contributions (2)	Insurance Premium Payment from the State	Total Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Contributed
2000	$ 30,830,049	$ 615,335	$ 5,315,101	$ 2,744,153	$ 8,674,589	$ 8,643,708	100.4%
2001	32,938,022	583,440	5,678,515	2,964,981	9,226,936	6,265,400	147.3
2002	34,426,786	463,017	5,935,178	3,150,114	9,548,309	9,339,992	102.2
2003	37,005,298	352,350	6,379,713	3,383,388	10,115,451	9,447,664	107.1
2004	39,789,908	301,089	7,421,215	4,001,053	11,723,357	10,200,418	114.9
2005	42,198,856	181,916	7,275,080	4,268,619	11,725,615	7,225,585	162.3
2006	45,012,038	106,814	7,760,075	4,155,314	12,022,203	6,455,083	186.2
2007	47,638,976	78,450	8,212,960	3,827,763	12,119,173	5,033,291	240.8
2008	52,097,173	54,297	8,981,553	3,834,553	12,870,403	1,826,307	704.7
2009	55,747,655	41,362	9,610,896	3,563,731	13,215,989	1,826,307	723.6

(1) *Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll.*

(2) *Employer contributions are made as a percentage of actual payroll rather than as a dollar amount. The Statutory Employer FRF contributions in excess of PERSI required contributions are payable only on Class A & B active member payroll. The Additional Employer FRF contributions are payable on Class A & B and Class D active member payrolls.*

(3) *Starting July 1, 1996, the Annual Required Contributions (ARC) are computed as a dollar amount based on the entry age cost method and future payroll contributions from Class A & B members only. The ARC is computed for GASB reporting purposes only. The actual employer contributions as a percentage of payroll varied from those determined by the actuarial valuation based on the funding policy as shown in Table D-2 of the actuarial valuation report. Thus, as long as the actual contributions are made as a percentage of payroll under the current funding policy methods and assumptions, as required by the most recent actuarial valuation, the actual dollar amount of the employer contributions will differ from the dollar amount of the Annual Required Contributions (ARC).*

EXHIBIT 8: CONTRIBUTION RATES AS A PERCENT OF PAY

	State Contributions	Employer Contributions				Total Employer Contributions For Members	
Year[1]	Fire Insurance Premium Tax[2]	PERSI Rate	Statutory FRF Rate	Additional Rate	Social Security	Hired Before 10/1/80[3]	Hired After 9/30/80[4]
Effective Date:	July 1	October 1	January 1	October 1	January 1	October 1	October 1
1998	7.30%	10.01%	8.65%	17.24%	7.65%	35.90%	34.90%
2000	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2001	7.10	10.01	8.65	17.24	7.65	35.90	34.90
2002	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2003	7.60	10.11	8.65	17.24	7.65	36.00	35.00
2004	6.60	10.73	8.65	17.24	7.65	36.62	35.62
2005	6.70	10.73	8.65	17.24	7.65	36.62	35.62
2006	6.60	10.73	8.65	17.24	7.65	36.62	35.62
2007	6.90	10.73	8.65	17.24	7.65	36.62	35.62
2009	5.20	10.73	8.65	17.24	7.65	36.62	35.62

(1) Rates become effective on dates shown in given year. Biennial valuations were performed 1988-2000.

(2) Rate expressed as a percentage of the value of future fire insurance premium taxes over the value of future covered compensation.

(3) PERSI rate plus Statutory FRF rate plus additional rate.

(4) PERSI rate plus additional rate plus Social Security.

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

This exhibit outlines our understanding of the laws governing the Firefighters' Retirement Fund (FRF), compared with the provisions that apply to firefighters of the Public Employee Retirement System of Idaho (PERSI), as contained in Sections 59-1301 through 59-1399 for PERSI and Sections 72-1401 through 72-1472 for FRF, inclusive of the Idaho Code through July 1, 2009. Each currently active firefighter hired before October 1, 1980, is entitled to receive the larger of (a) a benefit based on the FRF provisions, considering all of his service as a firefighter, and (b) a PERSI benefit, based on membership service beginning October 1, 1980, plus prior service rendered before July 1, 1965. Firemen hired October 1, 1980, and later (Class D members) are not entitled to FRF benefits.

In 1990, the law was changed to provide benefits to all members of FRF equally. Prior to the change, members hired after July 1, 1978, and before October 1, 1980, (Class C members) received a lower level of benefits. Class A members are members hired prior to July 1, 1976, who chose Option 1, where contributions are calculated on the basis of statewide average paid firefighter's salary. Benefits are based on the statewide average salary in effect at the date of retirement. Class B members are all Option 2 members hired prior to July 1, 1978, where contributions are calculated on the basis of the individual's annual average salary, but benefits are based on actual pay.

Retirement Provisions Affecting Firefighters In Idaho

July 1, 2009

	Public Employee Retirement System	Firefighters' Retirement Fund
Member Contribution Rate	7.69% of salary.	11.45% of salary.(1)
Service Retirement Allowance		
Eligibility	Age 60 with five years of service, including six months of membership service.	20 years of service.(2)
Amount of Annual Allowance	2.30% of the highest 3.5-year average salary for each year of credited service.	40% of final five-year average salary (1) plus 5.00% of average salary for each year of service in excess of 20 years.
Maximum Benefit	100% highest three-year average salary.	65% of final five-year average salary. (1)
Minimum Benefit	For retirement during or prior to 1974, $72 annual allowance for each year of service, increasing in subsequent years at the rate of cost-of-living increases in retirement allowances.	None.

(1) For firefighters employed prior to July 1, 1976, who chose Option 1, contributions are calculated on the basis of the statewide average paid firefighter's salary. Benefits are based on the statewide average salary in effect at the date of retirement.

For firefighters employed prior to July 1, 1976, who chose Option 2, contributions are based on the individual members' salaries for the prior year. Benefits are based on actual pay.

(2) Completed years of service. No partial years of service are recognized.

	Public Employee Retirement System	Firefighters' Retirement Fund
Non-Duty Disability Retirement Allowance		
Eligibility	Five years of membership service.	Five years of service.(2)
Amount of Annual Allowance	Projected service retirement allowance based on accrued service plus service projected to age 60 (projected service is limited to excess of 30 years over accrued service), less any amount payable under workers' compensation law.	2.00% of final five-year average salary(1) times years of service(2), or same as service retirement benefit if eligible.
Normal Form	Temporary annuity to age 60 plus any death benefit.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.
Duty Disability Retirement Allowance		
Eligibility	If hired after July 1, 1993, no service requirement, otherwise same as non-duty disability retirement.	No age or service requirements.
Amount of Annual Allowance	Same as non-duty disability retirement.	65% of final five-year average salary.
Normal Form	Same as non-duty disability retirement.	Same as non-duty disability retirement.
Special Disability Benefit		
Eligibility	Firefighters hired after October 1, 1980 and prior to July 1, 1993, with less than 10 years of service.	None.
Benefit	Same as FRF disability benefit.	None.

(1) For firefighters employed prior to July 1, 1976, who chose Option 1, contributions are calculated on the basis of the statewide average paid firefighter's salary. Benefits are based on the statewide average salary in effect at the date of retirement.

For firefighters employed prior to July 1, 1976, who chose Option 2, contributions are based on the individual members' salaries for the prior year. Benefits are based on actual pay.

(2) Completed years of service. No partial years of service are recognized.

	Public Employee Retirement System	Firefighters' Retirement Fund
Death Benefits Before Retirement		
Eligibility	Five years of service for surviving spouse's benefit.	Non-duty death:Five years of service.[2] Duty death: No service requirement. Benefits are payable to surviving spouse or, if no eligible surviving spouse, to unmarried children under 18.
Amount of Benefit	1. Accumulated contribution with interest, or 2. The surviving spouse of a member with five years of service who dies while: i. contributing; ii. noncontributing, but eligible for benefits; or iii. retired for disability receives an automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance.	100% of the benefit the firefighter would have received as a duty or non-duty disability allowance, depending on cause of his death.
Normal Form	Payable for member's lifetime, with death benefit determined by option selected at retirement.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.
Optional Form	Actuarial equivalent of the normal form under the options available according to the mortality and interest basis adopted by the Board.	None.
Death Benefits After Retirement		
Eligibility	Designated beneficiary or estate.	Surviving spouse or, if no eligible surviving spouse, unmarried children under 18.
Amount of Benefit	Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise payable according to the option elected.	100% of firefighter's retirement allowance.

(2) Completed years of service. No partial years of service are recognized.

	Public Employee Retirement System	Firefighters' Retirement Fund
Early Retirement Allowance		
Eligibility	Age 50 with five years of service including six months of membership service (contributing members only).	None.
Amount of Allowance	Full accrued service retirement allowance if age plus service equals 80; otherwise, the accrued service retirement allowance reduced by 3.00% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive his full accrued benefit, and by 5.75% for each additional year.	None.
Vested Retirement Allowance		
Eligibility	Former contribution members with five years of membership service are entitled to receive benefits after attaining age 50.	Firefighters who terminate after five years of service[2] are entitled to receive benefits beginning at age 60.
Amount of Allowance	Same as early retirement allowance.	2.00% of final five-year average salary times years of service[2].
Withdrawal Benefit	Accumulated contributions with interest.	Accumulated contributions with interest.

(2) Completed years of service. No partial years of service are recognized.

	Public Employee Retirement System	Firefighters' Retirement Fund
Post-Retirement Increases		
Amount of Adjustment	Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase or decrease of 6.00% in any year. If the Consumer Price Index increases by at least 1% from August to August, a 1.00% annual postretirement increase is effective the following March. An additional postretirement increase of up to 5.00% each year may be authorized by the Board if it finds that the value of the System's assets are no less than its actuarial liabilities, including those created by the additional increase. If the CPI-U increases by less than 1% or decreases, the COLA is automatically equal to the change in the CPI-U. A decrease can not be more than 6%. Member benefits cannot decrease below the amount at the initial benefit date.	Benefits increase or decrease by the same percentage by which the average paid firefighter's salary increases or decreases. The change for the year is effective each February.

Helping Idaho public employees
build a secure retirement.

Statistical Section

The objectives of the Statistical Section are to provide additional historical perspective, context, and relevant details to assist readers in using the information in the financial statements, notes to the financial statements, and the required supplementary information in order to understand and assess the System's economic condition. In support of these objectives, the System has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section.*

The System is the administrator of six fiduciary funds including two defined benefit retirement plans - the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); two defined contribution plans - the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (PERSI Choice Plan); and two Sick Leave Insurance Reserve Trust Funds – one for state employers and one for school district employers. The data in Tables 1 through 4 of this section was provided by the System's actuary and the data in the remaining tables was provided by the System's own records.

During FY 2009, the number of active PERSI members increased from 66,765 to 67,813. The number of retired members or annuitants receiving monthly allowances increased from 30,912 to 32,197. The number of inactive members who have not been paid a separation benefit decreased from 23,712 to 23,086. Of these inactive members, 10,067 have achieved vested eligibility. Total membership in PERSI increased from 121,389 to 123,096 during the fiscal year. Table 1 of this section illustrates the diversity of our employee membership, and Table 2 shows how the membership distribution of active, retired, and inactive members has changed over the years.

As of June 30, 2009, there were 724 public employers in Idaho who were PERSI members. Tables 8 and 9 of this section illustrate the diversity of our employer participation.

Table 1

Distribution of Membership by Group

	Active Members			Inactive Members			Retirees	
	Vested	Non-vested	Total	Vested	Non-vested	Total		Total
Cities	4,330	2,647	6,977	1,430	820	2,250	2,867	12,094
Female	1,320	859	2,179	461	331	792	992	3,963
Male	3,010	1,788	4,798	969	489	1,458	1,875	8,131
Counties	4.292	3,359	7,651	812	1,291	2,103	2,617	12,371
Female	2,094	1,695	3,789	468	733	1,201	1,369	6,359
Male	2,198	1,664	3,862	344	558	902	1,248	6,012
Schools	19,366	10,944	30,310	3,514	6,027	9,541	13,612	53,463
Female	14,414	8,230	22,644	2,825	4,725	7,550	9,432	39,626
Male	4,952	2,714	7,666	689	1,302	1,991	4,180	13,837
State	11,212	6791	18,003	3,337	4,022	7,359	9,952	35,314
Female	5,803	3,584	9,387	1,929	2,298	4,227	4,785	18,399
Male	5,409	3,207	8,616	1,408	1,724	3,132	5,167	16,915
All Others	3,005	1,867	4,872	974	859	1,833	3,149	9,854
Female	941	737	1,678	451	549	1,000	1,339	4,017
Male	2,064	1,130	3,194	523	310	833	1,810	5,837
Grand Total	42,205	25,608	67,813	10,067	13,019	23,086	32,197	123,096
Female	24,572	15,105	39,677	6,134	8,636	14,770	17,917	72,364
Male	17,633	10,503	28,136	3,933	4,383	8,316	14,280	50,732

Table 2
Changes in Membership

	Active Members			Retired Members		Inactive Members
Fiscal Year Ended	Number	Average Age	Average Years of Service	Number	Average Age	Number
2000	60,388	45.0	9.8	22,456	73.1	18,497
2001	62,125	45.1	9.7	23,253	72.7	18,723
2002	62,376	45.4	10.0	24,018	72.7	18,267
2003	62,385	45.7	10.2	24,991	72.5	18,599
2004	63,385	45.9	10.2	26,043	72.3	18,837
2005	64,391	46.0	10.2	27,246	72.1	20,028
2006	64,762	46.2	10.4	28,438	72.0	21,848
2007	65,800	46.2	10.3	29,619	72.0	22,690
2008	66,765	46.2	10.3	30,912	71.9	23,712
2009	67,813	46.5	10.4	32,197	71.8	23,086

Table 3a
Retired Members by Type of Benefit – PERSI Base Plan

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
$0 - 250	5,300	4,526	10	764	1,242	4,058
251 - 500	5,057	4,417	72	568	974	4,083
501 - 750	3,768	3,217	162	389	775	2,993
751 - 1,000	3,019	2,599	148	272	672	2,347
1,001 - 1,250	2,471	2,091	181	199	559	1,912
1,251 - 1,500	2,134	1,798	186	150	511	1,623
1,501 - 1,750	1,650	1,434	122	94	457	1,193
1,751 - 2,000	1,491	1,315	113	63	423	1,068
Over 2,000	7,307	6,851	307	149	2,365	4,942
Totals	32,197	28,248	1,301	2,648	7,978	24,219

Joint & Survivor (also known as Contingent Annuitant)

** Single Life Options include Straight Life, Cash Refund, Social Security and all other FOPs.*

Table 3b

Retired Members by Type of Benefit – Firefighters' Retirement Fund

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
$0 - 250	8	5		3	5	3
251 - 500	10	6		4	6	4
501 - 750	11	8	1	2	9	2
751 - 1,000	14	12		2	12	2
1,001 - 1,250	18	13	3	2	16	2
1,251 - 1,500	19	17	1	1	18	1
1,501 - 1,750	25	19		6	19	6
1,751 - 2,000	39	31	4	4	35	4
Over 2,000	429	307	26	96	333	96
Totals	573	418	35	120	453	120

Joint & Survivor (also known as Contingent Annuitant)
** Single Life Options include Straight Life, Cash Refund, Social Security and all other FOPs.*

Monthly benefit refers to the benefit payable by the FRF plan (total benefit less PERSI benefit).
All FRF retirees and disableds are valued with two benefits and two options.
1) The benefit payable by the FRF plan is valued using a Straight Life option.
2) The total benefit is valued using a Spouse Reversionary option (spouse benefit payable upon the death of the retiree or disabled).
All FRF beneficiaries are valued using a Straight Life option.

Table 3c

Retired Members by Type of Benefit – PERSI Choice Plan

Amount of Monthly Benefit	Total Number of Retirees	Both 414(k) and 401(k)	414(k) Only	401(k) Only
$0 - 250	21	17	3	1
251 - 500	22	19	2	1
501 - 750	9	8	1	
751 - 1,000	9	9		
1,001 - 1,250	2	2		
1,251 - 1,500	1	1		
1,501 - 1,750	0			
1,751 - 2,000	1			1
Over 2,000	1	1		
Totals	66	57	6	3

Table 4a

Average Benefit Payments – PERSI Base Plan

Retirement Effective Dates	Years Credited Service						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/99 to 6/30/00							
Average monthly benefit	$653	$285	$544	$861	$1,275	$1,970	$2,673
Number of retired members	8481	208	181	174	189	212	229
Period 7/1/00 to 6/30/01							
Average monthly benefit	$713	$342	$566	$891	$1,351	$2,249	$3,020
Number of retired members	101	218	237	224	236	241	316
Period 7/1/01 to 6/30/02							
Average monthly benefit	$704	$305	$578	$936	$1,392	$2,195	$3,139
Average final average salary	$1,649	$1,650	$2,204	$2,598	$2,921	$3,556	$4,061
Number of retired members	93	221	256	200	234	192	291
Period 7/1/02 to 6/30/03							
Average monthly benefit	$752	$331	$634	$988	$1,591	$2,268	$3,132
Average final average salary	$2,057	$2,080	$2,301	$2,649	$3,204	$3,691	$4,188
Number of retired members	86	253	240	248	238	255	405
Period 7/1/03 to 6/30/04							
Average monthly benefit	$533	$281	$598	$991	$1,565	$2,379	$3,333
Average final average salary	$1,754	$1,790	$2,328	$2,766	$3,199	$3,882	$4,402
Number of retired members	81	299	229	243	255	296	368
Period 7/1/04 to 6/30/05							
Average monthly benefit	$486	$336	$655	$1,019	$1,633	$2,281	$3,220
Average final average salary	$1,889	$2,066	$2,503	$2,935	$3,346	$3,823	$4,431
Number of retired members	72	292	287	271	264	283	405
Period 7/1/05 to 6/30/06							
Average monthly benefit	$456	$292	$634	$1,011	$1,449	$2,228	$3,167
Average final average salary	$1,382	$1,870	$2,448	$2,964	$3,308	$3,845	$4,459
Number of retired members	80	291	289	291	274	332	445
Period 7/1/06 to 6/30/07							
Average monthly benefit	$343	$328	$621	$964	$1,529	$2,242	$3,136
Average final average salary	$1,893	$2,270	$2,515	$2,963	$3,532	$4,019	$4,611
Number of retired members	58	329	303	307	282	318	460
Period 7/1/07 to 6/30/08							
Average monthly benefit	$432	$331	$619	$1,029	$1,555	$2,228	$3,029
Average final average salary	$1,665	$2,176	$2,672	$3,172	$3,673	$5,549	$4,570
Number of retired members	49	291	268	290	295	309	489
Period 7/1/08 to 6/30/09							
Average monthly benefit	$589	$339	$646	$1,079	$1,508	$2,281	$3,121
Average final average salary	$2,157	$2,339	$2,630	$3,319	$3,625	$4,174	$4,760
Number of retired members	67	319	274	318	290	345	482

Elected and appointed officials are vested after five months of continuous service.

Creditable data not available for average final average salary for years 1998 thru 2001.

Table 4b
Average Benefit Payments – Firefighters' Retirement Fund

Retirement Effective Dates				Years Credited Service			
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/99 to 6/30/00							
Average monthly benefit	$2,046	$1,775				$3,416	
Number of retired members	16	1				2	
Period 7/1/00 to 6/30/01							
Average monthly benefit	$2,145			$764	$1,675		
Average Final Average Salary	$3,805			*	$4,092		
Number of retired members	12			1	16		
Period 7/1/01 to 6/30/02							
Average monthly benefit				$2,976	$1,689		
Average Final Average Salary				*	$4,140		
Number of retired members				1	24		
Period 7/1/02 to 6/30/03							
Average monthly benefit					$1,498		
Average Final Average Salary					*		
Number of retired members					23		
Period 7/1/03 to 6/30/04							
Average monthly benefit					$1,294	$1,834	
Average Final Average Salary					4,449	*	
Number of retired members					14	2	
Period 7/1/04 to 6/30/05							
Average monthly benefit					$871		
Average Final Average Salary					4,642		
Number of retired members					25		
Period 7/1/05 to 6/30/06							
Average monthly benefit					$1,133	$830	
Average Final Average Salary					*	$4,639	
Number of retired members					2	7	
Period 7/1/06 to 6/30/07							
Average monthly benefit						$606	
Average Final Average Salary						*	
Number of retired members						3	
Period 7/1/07 to 6/30/08	No	Valuation	Completed				
Period 7/1/08 to 6/30/09							
Average monthly benefit						$315	
Average Final Average Salary						$5,440	
Number of retired members						2	

*Average final average salary is not the basis for calculating benefits on the classes of firefighters in the group.
Benefits payable by the FRF Plan are net of PERSI benefits. *Creditable data not available for average final average salary for years 1998 thru 2001.*

Table 4c

Average Benefit Payments – PERSI Choice Plan

Retirement Effective Dates	Years of Service						
	0 - 4*	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/01 to 6/30/02							
Average monthly benefit		$4,000	$250		$527	$250	$300
Number of retired members		1	1		1	1	2
Period 7/1/02 to 6/30/03							
Average monthly benefit							$308
Number of retired members							3
Period 7/1/03 to 6/30/04							
Average monthly benefit		$1,000	$500	$400			
Number of retired members		1	1	2			
Period 7/1/04 to 6/30/05							
Average monthly benefit		$1,000	$275	$537	$585		$538
Number of retired members		1	2	3	2		6
Period 7/1/05 to 6/30/06							
Average monthly benefit		$139	$1,000	$1,000	$1,964	$750	$698
Number of retired members		1	1	1	4	2	6
Period 7/1/06 to 6/30/07							
Average monthly benefit			$150	$425	$409	$616	$648
Number of retired members			2	2	2	4	4
Period 7/1/07 to 6/30/08							
Average monthly benefit		$1,788	$278	$600	$675	$300	$756
Number of retired members		2	2	2	2	1	8
Period 7/1/08 to 6/30/09							
Average monthly benefit		$525		$452	$542	$817	$360
Number of retired members		3	0	8	7	3	10

Plan inception was February 1, 2001

Average final average salary data not applicable for this defined contribution plan. The average monthly benefit is determined by the retiree and can vary significantly based on the number of months the retiree chooses to receive payments.

Table 5

Schedule of Benefit Expenses by Type

Fiscal Year	Age & Service Benefits: Retirants	Age & Service Benefits: Survivors (2)	Disabilities: Retirants (1): Pre-NRA	Disabilities: Retirants (1): Post-NRA	Disabilities: Survivors	Refunds: Death	Refunds: Separation	Total
PERSI BASE PLAN and FRF								
2004	280,763,933	19,735,004	11,273,747	5,675,595	22,619	6,277,761	20,192,340	343,940,999
2005	307,745,370	20,840,882	12,909,391	5,781,296	352,314	3,133,222	21,768,619	372,531,094
2006	342,794,760	22,205,546	13,694,529	6,088,943	387,844	5,386,912	22,945,895	413,504,429
2007	380,879,849	22,579,175	15,672,020	6,377,501	267,684	4,821,583	22,152,431	452,750,243
2008	420,389,539	23,588,263	16,412,107	7,285,789	688,712	6,492,918	22,118,356	496,975,684
2009	450,932,717	24,816,026	17,121,066	7,398,421	805,793	6,402,026	28,443,650	535,919,699
PERSI CHOICE PLAN								
2004	2,219,650							
2005	3,403,187							
2006	3,963,574							
2007	5,263,987							
2008	5,631,977							
2009	6,766,643							
SICK LEAVE INSURANCE RESERVE TRUST FUND								
2004	9,164,531							
2005	10,600,252							
2006	10,453,640							
2007	11,647,417							
2008	12,867,321							
2009	14,339,783							

(1) The split between duty and non-duty disabilities is not available.

(2) Benefit amounts are not available. All survivors are included with the Age & Service Benefits survivors.

NRA = Normal Retirement Age. PERSI members with disability benefits convert to age & service retirants at NRA (60 for Fire & Police, 65 for other members).

Table 6

History of Cost-of-Living Adjustments

Year	CPI Rate	PERSI COLA Rate (1)	Maximum COLA	Difference	
1980	12.2	6.0	6.0	0.0	
1981	12.6	6.0	6.0	0.0	
1982	10.2	6.0	6.0	0.0	
1983	5.1	5.1	5.1	0.0	
1984	2.9	2.9	2.9	0.0	
1985	4.2	4.2	4.2	0.0	
1986	3.2	1.0	3.2	2.2	(2)
1987	1.5	1.5	1.5	0.0	
1988	4.5	1.0	4.5	3.5	(2)
1989	4.2	1.0	4.2	3.2	(2)
1990	4.7	4.7	4.7	0.0	
1991	5.6	5.6	5.6	0.0	
1992	3.8	3.8	3.8	0.0	
1993	3.1	3.1	3.1	0.0	
1994	2.8	2.8	2.8	0.0	
1995	2.9	2.9	2.9	0.0	
1996	2.6	2.6	2.6	0.0	
1997	2.9	2.9	2.9	0.0	
1998	2.2	2.2	2.2	0.0	
1999	1.6	1.6	1.6	0.0	
2000	2.3	2.3	2.3	0.0	
2001	3.4	3.4	3.4	0.0	
2002	2.7	2.7	2.7	0.0	
2003	1.8	1.0	1.8	0.8	(3)
2004	2.2	2.2	2.2	0.0	
2005	2.7	2.7	2.7	0.0	
2006	3.6	3.6	3.6	0.0	
2007	3.8	3.8	3.8	0.0	
2008	5.4	1.0	5.4	4.4	
2009	-1.5	not determined	at time of print		

1 For years 1980 through 1986, adjustments were effective January 1. Beginning in 1987, adjustments were effective March 1.

2 Retro-active COLAs were awarded effective March 1, 1999, to re-establish purchasing power for the years 1986, 1988, 1989

3 A retro-active COLA was awarded effective March 1, 2005, to re-establish purchasing power for 2003.

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Table 7
Changes in Net Assets
(Last 10 fiscal years)

	2000	2001	2002	2003
Additions:				
Employee contributions	$118,270,877	$127,533,104	$135,637,682	$145,862,839
Employer contributions (1)	191,534,944	131,997,290	220,398,889	217,096,030
Investment income (2)	201,552,566	203,096,882	162,149,168	171,792,158
Gains and losses	628,751,044	(669,224,044)	(663,804,822)	40,395,034
Transfers/Rollovers In (3)		56,560,935	1,341,525	2,062,334
Other income	301,280	386,742	137,215	132,967
Total additions to plan net assets	$1,140,410,711	($149,649,091)	($144,140,343)	$577,341,362
Deductions:				
Benefit payments	$220,960,251	$263,159,138	$266,887,469	$291,220,969
Refunds	24,560,909	24,777,749	25,645,815	24,826,501
Administrative Expenses	4,283,525	5,874,271	7,034,588	6,614,117
Transfers/Rollovers Out (3)		56,589,222	829,922	1,555,049
Total deductions to plan net assets	$249,804,685	$350,400,380	$300,397,794	$324,216,636
Change in net assets	$890,606,026	($500,049,471)	($444,538,137)	$253,124,726

1 *Employer contributions for 2001 did not include $77,690,500 of employer gain sharing credits.*

2 *Investment income is reported net of investment expense.*

3 *Transfers and rollovers began in 2001 with Gain Sharing distributions and the addition of the PERSI Choice Plan.*

2004	2005	2006	2007	2008	2009
$148,726,798	$167,192,092	$180,225,413	$189,304,102	$205,602,392	$215,761,970
241,063,204	264,113,386	280,102,208	289,658,998	305,327,281	317,754,767
179,934,208	200,437,219	227,638,411	263,822,475	291,288,566	243,690,856
1,001,322,358	619,037,925	799,752,931	1,650,865,737	(853,679,206)	(2,063,129,149)
3,318,115	8,275,628	6,246,072	8,512,489	8,946,219	6,057,764
77,694	159,912	143,166	261,192	243,162	92,876
$1,574,442,377	$1,259,216,162	$1,494,108,201	$2,402,424,993	(42,271,586)	(1,279,770,916)
$328,787,900	$362,205,823	$400,122,778	$442,090,781	$484,323,072	522,180,449
26,537,280	24,328,709	29,580,469	27,570,866	31,151,910	34,845,676
6,991,503	7,169,254	7,361,536	6,759,609	5,984,570	6,326,878
1,976,643	3,457,942	4,040,722	6,257,877	7,273,051	8,126,080
$364,293,326	$397,161,728	$441,105,505	$482,679,133	528,732,603	571,479,083
$1,210,149,051	$862,054,434	$1,053,002,696	$1,919,745,860	(571,104,189)	(1,851,249,999)

Table 8

Principal Participating Employers

2009

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	18,100	1	27%
Meridian School District	3,517	2	5%
Boise Ind School District	3,050	3	4%
Ada County	1,518	4	2%
Nampa School District	1,455	5	2%
City of Boise	1,255	6	2%
Pocatello School District	1,162	7	2%
Idaho Falls School District	1,038	8	2%
Coeur d`Alene School District	1,012	9	1%
Bonneville School District	951	10	1%
All other	34,755		52%
Total (724 employers)	**67,813**		**100%**

2000

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	17,844	1	30%
Boise Ind. School District	2,992	2	5%
Meridian School District	2,295	3	4%
Pocatello School District	1,387	4	2%
Ada County	1,152	5	2%
Idaho Falls School District	1,140	6	2%
Nampa School District	1,047	7	2%
City of Boise	1,009	8	2%
Coeur d'Alene School District	903	9	2%
Bonneville School District	794	10	1%
All other	29,825		48%
Total (637 employers)	**60,388**		**100%**

Table 9

Public Entities Participating in PERSI

State Agencies
Accountancy Board
Administration Dept.
Aging Commission
Agriculture Dept.
Arts Commission
Attorney General
Barley Commission
Bean Commission
Beef Council
Blind Commission
Boise State University
Brand Inspector
Building Safety Division
Commerce Dept.
Controller's Office
Corrections Dept.
Correctional Industries
Dairy Council
Deaf and Blind School
Dentistry Board
Eastern Idaho Technical College
Education Board
Endowment Fund Investment Board
Environmental Quality Dept.
Finance Dept.
Financial Management Division
Fish and Game Dept.
Forest Products Com.
Governor's Office
Health and Welfare Dept.
Health Dist.#1
Health Dist.#2
Health Dist.#3
Health Dist.#4
Health Dist.#5
Health Dist.#6
Health Dist.#7
Hispanic Affairs Commission
Historical Society
Human Resources Division
Human Rights Commission
Idaho Div. Prof.-Tech. Education
Idaho Grape Growers and Wine Producers Commission
Idaho Oilseed Commission
Idaho Public Television
ID Rangeland Resources Com.
Idaho State Bar
Idaho State Police
Idaho State University
Independent Living Council
Industrial Commission
Insurance Dept.
Insurance Fund
Judicial Branch
Juvenile Corrections
Labor Dept.
Lands Dept.
Lava Hot Springs Foundation
Legislative Services
Legislature - House of Reps.
Legislature - Senate
Lewis-Clark State College
Library
Lieutenant Governor
Liquor Dispensary
Lottery
Medicine Board
Military Division
Nursing Board
Occupational Licenses Bureau
Office of Drug Policy
Office of Energy Resources
Outfitters and Guides
Parks & Recreation
Pea & Lentil Commission
Pharmacy Board
Potato Commission
Prof. Engineers & Land Surveyors
Public Employee Retire. Sys.
Public Utilities Commission
Racing Commission
Real Estate Commission
Secretary of State
Species Conservation Office
State Appellate Public Defender
Superintendent of Public Instr.
Tax Appeals Board
Tax Commission
Transportation Dept.
Treasurer
University of Idaho
Veterans Services Division
Veterinary Medicine Board
Vocational Rehabilitation
Water Resources Dept.
Wheat Commission
Women's Commission

Counties
Ada County
Adams County
Bannock County
Bear Lake County
Benewah County
Bingham County
Blaine County
Boise County
Bonner County
Bonneville County
Boundary County
Butte County
Camas County
Canyon County
Caribou County
Cassia County
Clark County
Clearwater County
Custer County
Elmore County
Fremont County
Gem County
Idaho County
Jefferson County
Jerome County
Kootenai County
Latah County
Lemhi County
Lewis County
Lincoln County
Madison County
Minidoka County
Nez Perce County
Oneida County
Owyhee County
Payette County
Power County
Shoshone County
Teton County
Valley County
Washington County

Cities
City of Aberdeen
City of Albion
City of American Falls
City of Ammon
City of Arco
City of Ashton

City of Athol
City of Bancroft
City of Blackfoot
City of Bliss
City of Bloomington
City of Boise
City of Bonners Ferry
City of Bovill
City of Buhl
City of Burley
City of Caldwell
City of Cascade
City of Castleford
City of Challis
City of Chubbuck
City of Clark Fork
City of Coeur d' Alene
City of Cottonwood
City of Council
City of Craigmont
City of Culdesac
City of Dalton Gardens
City of Deary
City of Declo
City of Donnelly
City of Dover
City of Downey
City of Driggs
City of Dubois
City of Eagle
City of Emmett
City of Fairfield
City of Filer
City of Firth
City of Franklin
City of Fruitland
City of Garden City
City of Genesee
City of Georgetown
City of Glenns Ferry
City of Gooding
City of Grace
City of Grangeville
City of Greenleaf
City of HagermanCity of Hailey
City of Hayden
City of Hayden Lake
City of Heyburn
City of Homedale
City of Hope
City of Horseshoe Bend
City of Idaho Falls
City of Inkom
City of Iona
City of Island Park
City of Jerome
City of Juliaetta
City of Kamiah
City of Kellogg
City of Kendrick
City of Ketchum
City of Kimberly
City of Kooskia
City of Kootenai
City of Kuna
City of Lapwai
City of Lava Hot Springs
City of Lewiston
City of Mackay
City of Malad
City of Malta
City of Marsing
City of McCall
City of McCammon
City of Melba
City of Menan
City of Meridian
City of Middleton
City of Montpelier
City of Moscow
City of Mountain Home
City of Moyie Springs
City of Mullan
City of Nampa
City of New Meadows
City of New Plymouth
City of Newdale
City of Nez Perce
City of Notus
City of Old Town
City of Orofino
City of Osburn
City of Paris
City of Parma
City of Paul
City of Payette
City of Pinehurst
City of Plummer
City of Pocatello
City of Ponderay
City of Post Falls
City of Potlatch
City of Preston
City of Priest River
City of Rathdrum
City of Rexburg
City of Richfield
City of Rigby
City of Riggins
City of Ririe
City of Roberts
City of Rupert
City of Salmon
City of Sandpoint
City of Shelley
City of Shoshone
City of Smelterville
City of Soda Springs
City of Spirit Lake
City of St. Anthony
City of St. Charles
City of St. Maries
City of Sugar City
City of Sun Valley
City of Tensed
City of Teton
City of Tetonia
City of Troy
City of Twin Falls
City of Ucon
City of Victor
City of Wallace
City of Weippe
City of Weiser
City of Wendell
City of Weston
City of Wilder
City of Winchester
City of Worley

Water and Sewer Districts

Ada County Drainage Dist.#2
Aberdeen-Springfield Canal Co.
American Falls Reservoir Dist.#1
American Falls Reservoir Dist.#2
Avondale Irrigation Dist.
Bench Sewer Dist.
Big Lost River Irrigation
Big Wood Canal Co.
Black Canyon Irrigation Dist.
Boise-Kuna Irrigation Dist.
Boise Project Board of Control
Burley Irrigation Dist.
Cabinet Mountain Water Dist.
Caldwell Irrigation Lateral Dist.
Canyon Hill Irrigation Dist.
Cataldo Water Dist.
Central Orchards Sewer Dist.
Central Shoshone Cnty Water Dist.
Clearwater Soil & Water Cons. Dist.
Coolin Sewer Dist.
Dalton Gardens Irrigation Dist.

Eagle Sewer Dist.
East Green Acres Irrigation Dist.
E&W Cassia Soil & Water Cons. Dist.
East Shoshone County Water Dist.
Fish Haven Area Rec. Sewer Dist.
Fremont-Madison Irrigation Dist.
Grand View Mutual Canal Co.
Hayden Area Reg. Sewer Bd.
Hayden Lake Irrigation Dist.
Idaho Irrigation Dist.
Kalispel Bay Water/Sewer Dist.
King Hill Irrigation Dist.
Kingston-Cataldo Sewer Dist.
Kingston Water Dist.
Kootenai-Ponderay Sewer Dist.
Lake Irrigation Dist.
Lewiston Orchards Irrigation Dist.
Little Wood River Irrigation Dist.
Milner Low Lift Irrigation Dist.
Minidoka Irrigation Dist.
Mountain Home Irrigation Dist.
Nampa-Meridian Irrigation Dist.
New Sweden Irrigation Dist.
New York Irrigation Dist.
North Kootenai Water Dist.
Orofino Cr-Whiskey Cr Water/Sewer Dist.
Outlet Bay Water & Sewer Dist.
Owyhee Project Sewer Board
Payette Lakes Water/Sewer Dist.
People's Canal & Irrigation Co.
Pinehurst Water Dist.
Pioneer Irrigation Dist.
Progressive Irrigation Dist.
Riverside Independent Water/Sewer
Riverside Irrigation Dist.
Riverside Irrigation Dist. Ltd.
Roseberry Irrigation Dist.
Ross Point Water Dist.
Settlers Irrigation Dist.
Snake River Valley Irrigation Dist.
South Fork Coeur d' Alene Sewer Dist.
Southside Water & Sewer Dist.
Star Sewer & Water Dist.
Sun Valley Water & Sewer Dist.
Twin Falls Canal Co.
Valley Soil & Water Cons.
Water Dist.#1
Water Dist.#11
Water Dist.#31
Water Dist.#32C
Water Dist.#34
Water Dist.# 37 and #37M
Water Dist.#37N
Water Dist. #63
Weiser Irrigation Dist.
West Boise Sewer Dist.
West Bonner Water & Sewer Dist.
Wilder Irrigation Dist.

Highway Districts

Ada County Highway Dist.
Atlanta Highway Dist.
Bliss Highway Dist.
Buhl Highway Dist.
Burley Highway Dist.
Canyon Highway Dist.#4
Central Highway Dist.
Clarkia Better Roads Hwy. Dist.
Clearwater Hwy. Dist.
Cottonwood Hwy. Dist.
Deer Creek Hwy. Dist.
Dietrich Hwy. Dist.#5
Downey-Swan Lake Hwy. Dist.
East Side Hwy. Dist.
Evergreen Hwy. Dist.
Fenn Hwy. Dist.
Ferdinand Hwy. Dist.
Fruitland Hwy. Dist. #1
Gem Hwy. Dist.
Glenns Ferry Hwy. Dist.
Golden Gate Hwy. Dist.
Gooding Hwy. Dist.
Grangeville Hwy. Dist.
Greencreek Hwy. Dist.
Hagerman Hwy. Dist.
Hillsdale Hwy. Dist.
Homedale Hwy. Dist.
Independent Hwy. Dist.
Jerome Hwy. Dist.
Kamiah Hwy. Dist.
Keuterville Hwy. Dist.
Kidder-Harris Hwy. Dist.
Lakes Hwy. Dist.
Minidoka County Hwy. Dist.
Mountain Home Hwy. Dist.
Nampa Hwy. Dist.
North Hwy. Dist.
North Latah County Hwy. Dist.
Notus-Parma Hwy. Dist.
Plummer-Gateway Hwy. Dist.
Post Falls Hwy. Dist.
Prairie Highway Dist.
Raft River Hwy. Dist.
Richfield Highway Dist.#3
Shoshone Highway Dist.#2
So. Latah County Hwy. Dist.#2
Targhee Regional Public Transit Authority
Twin Falls Hwy. Dist.
Union Independent Hwy. Dist.
Weiser Valley Hwy. Dist.
Wendell Hwy. Dist.#6
West Point Hwy. Dist.
White Bird Hwy.Dist.
Winona Hwy. Dist.
Worley Hwy. Dist.

Junior Colleges and Public School Districts

North Idaho College
College of Southern Idaho
Aberdeen School Dist.
Academy at Roosevelt Center Charter School
American Falls School Dist.
ANSER of Idaho Inc.
Arbon School Dist.
Avery School Dist.
Basin School Dist.
Bear Lake School Dist.
Blackfoot Charter Com. Learning Ctr.
Blackfoot School Dist.
Blaine County School Dist.
Bliss School Dist.
Boise Independent School Dist.
Bonneville School Dist.
Boundary County School Dist.
Bruneau-Grandview School Dist.
Buhl School Dist.
Butte County School Dist.
Caldwell School Dist.
Camas County School Dist.
Cambridge School Dist.
Canyon-Owyhee School Dist.
Cascade School Dist.
Cassia County School Dist.
Castleford School Dist.
Challis Joint School Dist.
Clark County School Dist.
Clearwater-Orofino School Dist.
Coeur d' Alene Charter Academy
Coeur d' Alene School Dist.

College of Western Idaho
Compass Public Charter School
Cottonwood School Dist.
Council Valley School Dist.
Culdesac Joint School Dist.
Dietrich School Dist.
Emmett School Dist.
Falcon Ridge Charter School
Filer School Dist.
Firth School Dist.
Fruitland School Dist.
Garden City Community School
Garden Valley School Dist.
Genesee School Dist.
Glenns Ferry Joint School Dist.
Gooding Joint School Dist.
Grace School Dist.
Hagerman Joint School Dist.
Hansen School Dist.
Hidden Springs Charter School
Highland Joint School Dist.
Homedale School Dist.
Horseshoe Bend School Dist.
I Succeed Virtual High School
Idaho Arts Charter School
Idaho Digital Learning Academy
Idaho Distance Education Academy
Idaho Falls School Dist.
Idaho High School Activities Assn.
Idaho Leadership Academy
Idaho School District Council
Idaho Virtual Academy
Inspire Virtual Charter School
Jerome School Dist.
Kamiah Joint School Dist.
Kellogg School Dist.
Kendrick School Dist.
Kimberly School Dist.
Kootenai School Dist.
Kuna Joint School Dist.
Lake Pend Oreille School Dist.
Lakeland School Dist.
Lapwai School Dist.
Lewiston Indept. School Dist.
Liberty Charter School Inc.
Mackay School Dist.
Madison School Dist.
Marsh Valley School Dist.
Marsing School Dist.
McCall Donnelly School Dist.
Meadows Valley School Dist.
Melba School Dist.
Meridian Charter HS Inc.
Meridian Medical Arts Charter School
Meridian School Dist.
Middleton School Dist.
Midvale School Dist.
Minidoka County School Dist.
Moscow Charter School
Moscow School Dist.
Mountain Home School Dist.
Mountain View School Dist.
Mullan School Dist.
Murtaugh School Dist.
Namp Classical Academy
Nampa School Dist.
New Plymouth School Dist.
Nez Perce Joint School Dist.
North Gem School Dist.
North Star Charter School
North Valley Academy Charter School
Notus School Dist.
Oneida School Dist.
Palouse Prairie Educ. Org.
Parma School Dist.
Payette School Dist.
Pleasant Valley School Dist.
Plummer-Worley Jnt. School Dist.
Pocatello Community Charter School
Pocatello School Dist.
Post Falls School Dist.
Potlatch School Dist.
Prairie School Dist.
Preston School Dist.
Richard McKenna Charter HS
Richfield School Dist.
Rigby School Dist.
Ririe School Dist.
Rockland School Dist.
Rolling Hills Charter School
Salmon School Dist.
Salmon River Joint School Dist.
Sandpoint Charter School
Shelley Joint School Dist.
Shoshone School Dist.
Snake River School Dist.
Soda Springs School Dist.
South Lemhi School Dist.
St. Anthony School Dist.
St. Maries School Dist.
Sugar-Salem School Dist.
Swan Valley School Dist.
Taylor's Crossing Public Charter School
Teton School Dist.
Three Creek School Dist.
Thomas Jefferson Charter School
Troy School Dist.
Twin Falls School Dist.
Upper Carmen Charter School
Valley School Dist.
Vallivue School Dist.
Victory Charter School
Vision Charter School
Wallace School Dist.
Weiser School Dist.
Wendell School Dist.
West Bonner County School Dist.
West Jefferson School Dist.
West Side School Dist.
Whitepine Charter School
Whitepine Jnt. School Dist.
Wilder School Dist.
Wings Charter Middle School Inc.
Xavier Charter School

Other

Cascade Medical Center
Council Community Hosp.
Elmore Medical Center
McCall Memorial Hospital Dist.
Weiser Memorial Hospital
Community Planning Assn.of SW Idaho
American Falls Housing Auth.
Assn. of Idaho Cities
Bear Lake Regional Com.
Bingham County Sr. Citizens Ctr.
Blaine County Recreational Dist.
Boise City/Ada Cty. Housing Auth.
Caldwell Housing Auth.
Canyon County Org. on Aging
Canyon County Mosquito Abatement Dist.
Capital City Development Corp.
Caribou Soil Conservation Dist.
Clearwater-Potlatch Timber Protection Assn.
Dry Creek Cemetery Dist.
Eastern Idaho Fair Board
Foster Grandparents of SE ID

Gem County Mosquito Abatement Dist.
Gem County Recreation
Genesee Cemetery Dist.
Gooding Cemetery Maint. Dist.
Grangeville Cemetery Maint. Dist.
Hagerman Cemetery Dist.
Hillcrest Cemetery Maint. Dist.
Hayden Area Recreational Water and Sewer Dist.
Housing Authority of Pocatello
Idaho School Board Assn.
Idaho Crop Improvement Assn.
Idaho Public Employees Assn.
Idaho Assn. of Counties
Idaho Heritage Trust, Inc.
Idaho Education Assn.
Idaho Assn. of School Admin.
Idaho County Risk Mgmt. Program
Jerome Recreation Dist.
Kuna Cemetary Maint. Dist.
Lincoln County Cemetery Dist.
Lincoln County Housing Auth.
Local Highway Technical Assistance Council
M-A-R Cemetery Dist.
Marsing-Homedale Cemetery Dist.
Meridian Cemetery Maint. Dist.
Moscow Cemetery Dist.
Nampa Housing Authority
Nez Perce County Fair Board
North Fremont Cemetery Dist.
North Idaho Fair
Orofino Cemetery Dist.
Payette Cnty. Recreation Dist.
Port of Lewiston
Rexburg Cemetery Dist.
Shelley Cemetery Dist.
Southern Idaho Solid Waste Dist.
Twin Falls Housing Auth.
Valley Recreation Dist. of Hazelton
W. Bonner Cemetery Maintenance
West End Cemetery Dist.
Wilder Cemetery Dist.
Wilder Housing Auth.

Aberdeen Library Dist.
Ada County Free Library
American Falls Free Library
Bear Lake County Library
Boundary County Free Library
Burley Library
East Bonner County Library Dist.
Franklin County Library Dist.
Fremont County Dist. Library
Jefferson Free Library Dist.
Latah County Library Dist.
Madison County Library Dist.
Meadows Valley Public Library Dist.
Meridian Library Dist.
North Bingham Cnty.Library Dist.
Oneida County Library
Portneuf Library Dist.
Prairie-River Library Dist.
Priest Lake Public Library
Salmon Library Dist.
South Bannock Free Library Dist.
Stanley Community Library Dist.
Valley of Tetons Dist. Library Bd.
West Bonner Library Dist.

Bear Lake County Fire Dist.
Blackfoot Fire Dept.
Boise Fire Dept.
Buhl Fire Dept.
Burley Fire Dept.
Caldwell Fire Dept.
Canyon County Ambulance Dist.
Cascade Rural Fire & EMS
Central Fire Dist.
Coeur d' Alene Fire Dept.
Cottonwood Rural Fire Dist.
Donnelly Rural Fire Protection Dist.
Eagle Fire Protection Dist.
Franklin County Fire Dist.
Garden Valley Fire Protection Dist.
Gem Cnty. Fire Protection Dist.
Greater Swan Valley Fire Protection Dist.
Hagerman Fire Protection Dist.
Homedale Rural Fire Protection Dist.
Idaho Falls Fire Dept.
Jerome Fire Dept.
Ketchum Fire Dept.
Kootenai County Fire and Rescue
Kootenai County Emergency Medical Svc.
Kootenai County Rescue Protection
Kuna Fire Dist.
Lewiston Fire Dept.
Lincoln County Emergency Svs.
McCall Fire Protection Dist.
Mica Kidd Island Fire Protection Dist.
Moscow Fire Dept.
Nampa Fire Dept.
No. Ada Cnty. Fire/Rescue Dist.
No. Ada Cnty. Fire/Rescue Vol.
No. Lakes Fire Protection Dist.
Northside Fire Dist.
Payette Fire Dept.
Plummer-Gateway Fire Protect. Dist.
Pocatello Fire Dept.
Rexburg-Madison Fire Dept.
Rock Creek Fire Protection Dist.
Sagle Fire Dist.
Saint Maries Fire Protect. Dist.
Sandpoint Fire Dept.
Schweitzer Fire Dist.
Shoshone Cnty. Fire Dist. #1
Shoshone County Fire Dist.#2
Shoshone Co. Fire Protect. Dist. #2
South Central Region E911
So. Idaho Timber Protection Assn.
Spirit Lake Fire Protect. Dist.
Star Joint Fire Protect. Dist.
Teton County Fire Protection Dist.
Timberlake Fire Protect. Dist.
Twin Falls Fire Dept.
Weiser Area Rural Fire Dist.
Wendell Rural Fire Dist.
West End Fire Prot. Dist.
Westside Fire Dist.
Whitney Fire Protect. Dist.
Wood River Fire Protect. Dist.
Worley Ambulance Assn.
Worley Fire Protect. Dist

Several publications and reports are distributed to members and employers to keep them informed about the status of their membership accounts and PERSI in general, including:

- Comprehensive Annual Financial Report
- Member Handbook
- Annual Membership Account Statement
- Remittance Advice
- Newsletters
- Brochures
- Information Returns (Form 1099R)
- Statement for Recipients of Annuities (Form W-2P)
- Pre-Retirement Education Materials
- Reports to Legislature
- Memorandums to Employers

To receive any of these materials, contact PERSI (numbers below). Additional PERSI information can be found on PERSI's Web site at www.persi.idaho.gov.

PERSI Office Locations:

Boise

Office Location:	Mailing Address:
607 North 8th Street	P.O. Box 83720
Boise, ID	Boise, ID 83720-0078

Coeur d'Alene
Office Location & Mailing Address:
2005 Ironwood Parkway
Suite 226
Coeur d'Alene, ID 83814

Pocatello

Office Location:	Mailing Address:
850 East Center	P.O. Box 1058
Suite D	Pocatello, ID 83204
Pocatello, ID	

Telephone:

PERSI Answer Center (208) 334-3365 Toll-free 1-800-451-8228

Employer Service Center (208) 287-9525 Toll-free 1-866-887-9525

Choice Plan Toll-free 1-866-437-3774

PERSI

Public Employee Retirement System of Idaho

The costs associated with this publication are available from the Public Employee Retirement System of Idaho in accordance with Section 60-202, Idaho Code.